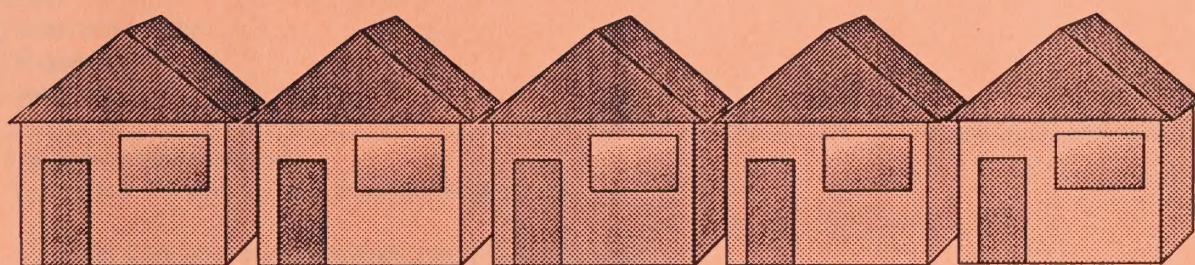


DRAFT
City of Merced
Comprehensive Housing
Affordability Strategy
1992



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Comprehensive Housing
Affordability Strategy
(CHAS)

Appendix B
U.S. Department of Housing
and Urban Development
Office of Community Planning
and Development



Name of Jurisdiction(s) or Consortium:
CITY OF MERCED, HOUSING PROGRAM

Contact Person: Mr. Lee Pevsner Telephone Number: 209/ 385-6863

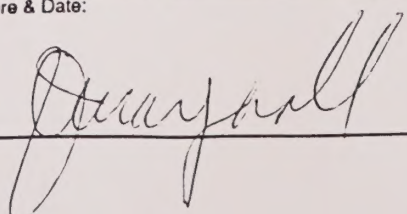
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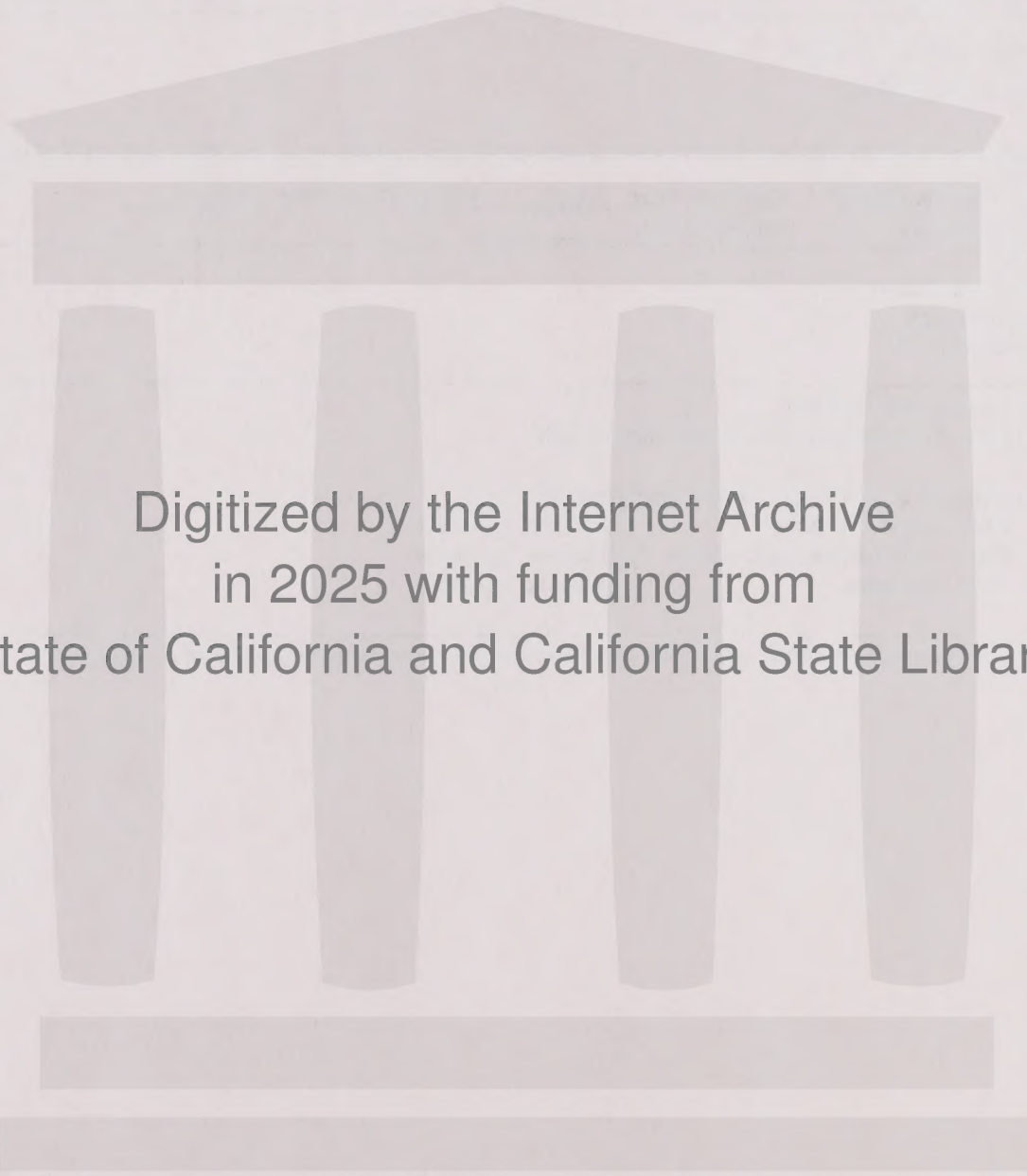
Type of Submission: (mark one)
☒ New Five Year CHAS For Fiscal Year 1992 through Fiscal Year 1996
☐ Annual Update * For Fiscal Year

(mark one)
☒ Initial Submission
☐ Resubmission
☐ Amendment **

* If an Annual Update, mark one:
☐ Parts 4 (Resources) & 5 (Implementation) Only
☐ Parts 4 & 5, plus minor changes: (mark all those which apply)
Part 1 - Needs Assessment ☐ Narrative ☐ Tables
Part 2 - Market & Inventory Conditions ☐ Narrative ☐ Tables
Part 3 - Strategies ☐ Narrative ☐ Tables

** For all amendments, specify the nature of the amendment below and attach amended portions to this cover sheet.

Jurisdiction Name of Authorized Official: JAMES MARSHALL , CITY MANAGER	HUD Approval Name of Authorized Official:
Signature & Date: X  5-26-92	Signature & Date: X



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City of Merced, Comprehensive Housing Affordability Strategy

prepared by

Moore Iacofano Goltsman, Inc.
and Jeffery Baird and Associates

for the

City of Merced Housing Program

with oversight and strategic direction provided by the
**City of Merced Affordable Housing Task Force
and Technical Advisory Committee**

Task Force Members

Gloria Sandoval, chair

California Rural Legal Assistance Foundation

Hubert Walsh, vice-chair

Merced County Human Services Agency

Jesse Brown

Merced County Association of Governments

Mike Salvadori

Realtor, Century 21/Salvadori Realty

Hester Thompson

Merced County Human Services Agency

Houa Vang

Lao Family Community

James Welk

retired banker

Technical Advisory Members

Mel Maxwell

Contractor, Maxwell Construction

Milt McDowell

Merced County Housing Authority

Steve Taylor

Contractor, Steve Taylor Builders

Mary Ann van der Goore

Merced County Planning Department

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Appendix A: Affordable Housing Action Plan, 1992 - 1997

Summary of the CHAS Development Process

The City of Merced Comprehensive Housing Affordability Strategy is part of a larger strategic planning effort being undertaken by the City to address affordable housing needs.

In the Fall of 1991, the City convened an Affordable Housing Task Force to study the City's affordable housing needs and develop a five-year action plan for addressing those needs. The outcome of the Task Force efforts is the *City of Merced Affordable Housing Action Plan, 1992 - 1997* (now in its final stages of development). The Action Plan and its supporting document, *City of Merced/Issues in Affordable Housing*, provided the background information and overall strategic direction for development of the CHAS.

Members of the Affordable Housing Task Force were selected to provide broad representation of the many groups and agencies that participate in housing development and related efforts in the City, including developers, realtors, service providers, bankers, community groups and county agencies. Members of the Task Force are listed at the beginning of this document.

In addition to Task Force workshops, two community workshops were held to solicit input from the public on goals and objectives for the Action Plan. Based on this input, the CHAS was developed for public review and comment.

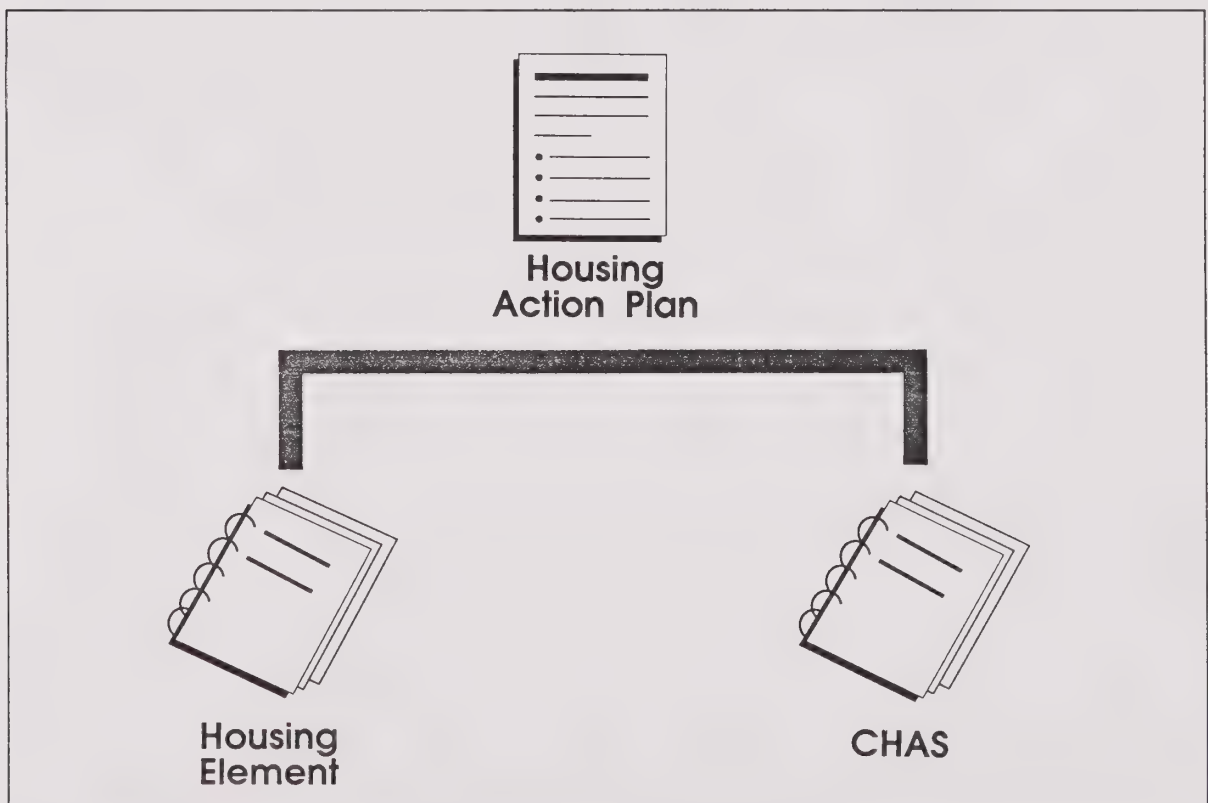
The goals and strategies presented in the CHAS and in the Housing Element of the City's General Plan, are directed by the Action Plan. Together, these three documents will work together to direct and coordinate housing assistance efforts in the City.

As the goals, policies and implementing programs of the Action Plan are finalized, appropriate revisions will be made to the Draft CHAS and Draft Housing Element documents.

Introduction

Title I of the National Affordable Housing Act established the requirement that States and local governments that apply for direct assistance under certain HUD programs have a Comprehensive Housing Affordability Strategy (CHAS) that has been approved by HUD. The Department published an interim rule implementing the CHAS requirements in the *Federal Register* on February 4, 1991.

The CHAS is a comprehensive planning document that identifies a jurisdiction's overall needs for affordable and supportive housing and outlines a strategy to address those needs. In the City of Merced, the CHAS strategy and policies are directed by the City's Affordable Housing Action Plan. This plan provides strategic direction for both the City's CHAS and its Housing Element, required by the State as part of the City's General Plan.



The Housing Action Plan provides strategic direction for the City's CHAS and Housing Element.

The CHAS is required by law to contain fourteen elements that describe the jurisdiction's housing needs and market conditions, set out a 5-year strategy that establishes priorities for meeting those needs, identify resources anticipated to be available for the provision of affordable and supportive housing, and establish a short-term investment plan that outlines the intended uses of resources.

The CHAS replaces the Housing Assistance Plan (HAP) required for Community Development Block Grant (CDBG) Program funding, a primary source of funding for the City of Merced Housing Program.

Beyond the CHAS

HUD's intention in requiring a CHAS is to encourage jurisdictions to develop a comprehensive, long-term strategy for addressing local needs for affordable and supportive housing. In addition, it is hoped that the CHAS development process represents an opportunity to involve citizens and community groups in the process of assessing the City's overall housing needs, establishing strategic priorities and developing a plan to meet the City's identified housing goals.

The City of Merced's intention in developing an Affordable Housing Action Plan has been to exceed HUD's requirements, and provide the City with an effective, living document that can meet State and federal funding requirements while providing a planning framework and implementation strategies that respond to local needs.

SECTION I
COMMUNITY PROFILE

1. Needs Assessment

This section provides a summary of current and projected housing needs for very low, low and moderate income households in the city. It includes:

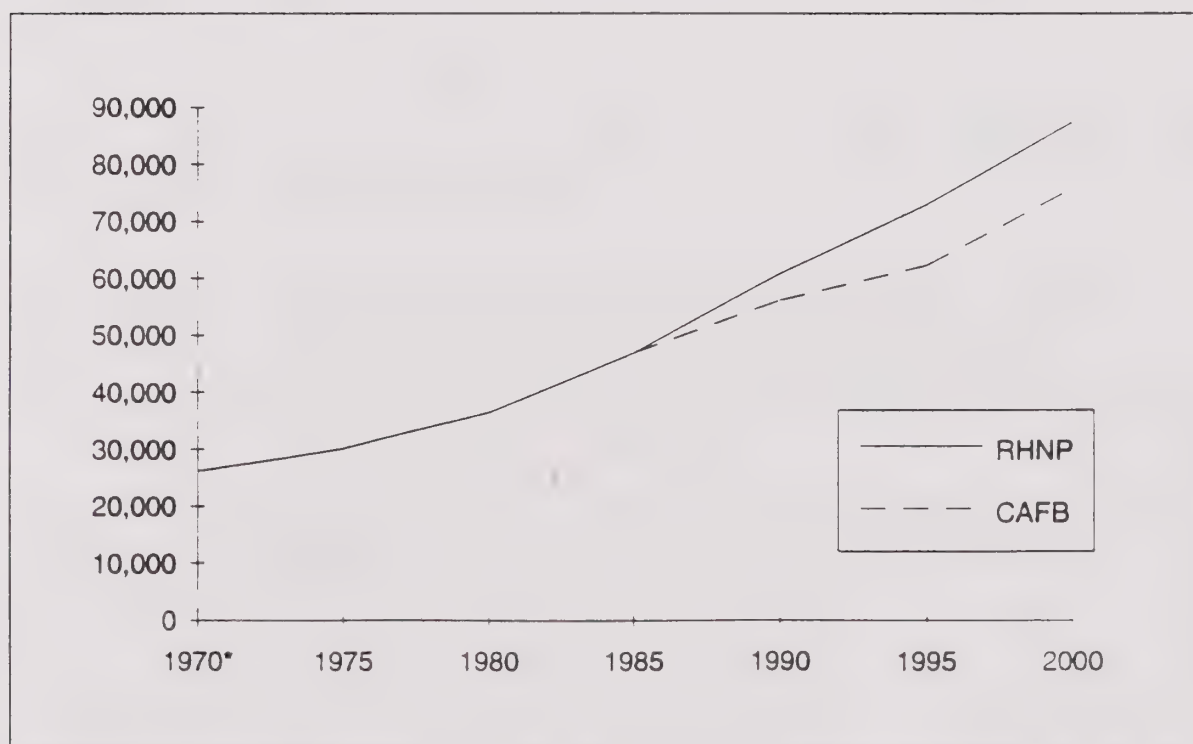
- Current and Projected Population
- Current and Projected Income Distributions
- Housing Cost Burdens
- Special Needs Populations
 - Large Households
 - Single Parent Families
 - Seniors
 - Persons With Disabilities
 - Farmworkers
- Housing Needs by Race and Ethnicity
- Supportive Housing Needs of Homeless Persons
- Supportive Housing Needs for Others With Special Needs

Current and Projected Population

The 1990 census counted 56,216 people in the City of Merced, a 54 percent increase over the 1980 population of 36,499.

That population is expected to grow substantially in the coming five years, although estimates vary. The projected 1997 population for the City of Merced as indicated in the Regional Housing Needs Plan of 1991 is 81,600 (a 9 percent annual growth rate). However, since the writing of that report, closure of nearby Castle Air Force Base was announced. A more recent projection, from a base closure impact report produced by the County, shows a 1997 population of 67,439 (a 4 percent annual growth rate). Those two projections are illustrated in the graph below.

Due to State housing law, which requires consistency between the figures in the Regional Housing Needs Plan and the City's Housing Element, the higher figures are presently guiding the City's planning efforts (although the potential impacts of the base closure will be kept in mind).



City of Merced population growth, 1970 through 2000 as projected by the Regional Housing Needs Plan of 1991 (RHNP) and the base closure impact report (CAFB).

**1970 figures are from a special census recount conducted in 1971.*

Current and Projected Income Distributions

The following tables present the distribution of households in Merced by income category. The figures are estimates based on data from the Regional Housing Needs Plan and the National Planning Data Corporation (NPDC). Income data from the 1990 census is not yet available.

Income distributions are calculated based on percentages of the county median income. Median income is the point at which 50 percent of the households in the county have a higher income and 50 percent have a lower income. It is *not* an average of all incomes in the county. Income categories are defined as:

Very Low:	<i>50 percent or less of median income.</i>
Low:	<i>50 to 80 percent of median income.</i>
Moderate:	<i>80 to 120 percent of median income.</i>
Above Moderate:	<i>120+ percent of median income.</i>

The county median income in 1979 (from 1980 census information) was \$14,698. Estimates from NPDC for 1990 and 1997 show the median increasing to \$25,541 and \$30,660, respectively.

While the number of households in the Low and Very Low income categories grew by over 1100 households in the 1980s (to a total of nearly 6,800 in 1990), **the highest rate (51 percent) and greatest volume increase (2770 households) was in Above Moderate income households.**

South Merced has a disproportionate number of households in the Low and Very Low income categories. In 1979, 60 percent of the households in South Merced were Low or Very Low income compared to 42 percent citywide. **In 1997, an estimated 67.5 percent of South Merced's households will be Low or Very Low income,** compared to 43 percent citywide.

Detailed breakdowns of income by type of household are not yet available from the census. They will be included, as they become available, in subsequent versions of the CHAS.

Estimated 1990 Income Distribution by Area

	Very Low	Low	Mod.	Above Mod.	TOTAL
<i>North</i>	1200	970	1311	4420	7901
<i>Central</i>	1416	1042	1185	3070	6711
<i>South</i>	1424	727	647	741	3537
Total	4042	2739	3143	8230	18,154

Estimated County Median Household Income: \$25,541

Estimated 1997 Income Distribution by Area

	Very Low	Low	Mod.	Above Mod.	TOTAL
<i>North</i>	1707	1756	2376	5393	11,232
<i>Central</i>	2192	1961	2150	3531	9834
<i>South</i>	2568	1403	1132	776	5879
Total	6467	5120	5658	9700	26,945

Estimated County Median Household Income: \$30,660

Housing Cost Burdens

Households experience excessive housing cost burdens when they pay more than 30 percent of their income on housing (including utilities).

The tables below summarize the number of owner and renter households in Merced that may be paying greater than 30 percent of their gross household income on housing. In all, nearly 20 percent of all owner households and nearly half of all rental households may be paying greater than 30 percent of their income on housing, demonstrating the large gap that exists for many households in Merced between household income and housing costs.

[NOTE: The figures for 1980 are from the U.S. Census; 1990 figures are estimates based on 1990 housing figures and 1980 percentages. Census data on overpayment in 1990 will not be available until 1992. It is most likely that the numbers shown are underestimates, particularly in the South Merced area.]

Households Paying >30% of Income on Housing

Households w/ Owner Costs >30% of Income			
Area	1980	% of Total	1990
North	589	23%	908
Central	363	14%	426
South	204	25%	321
Total	1156	19%	1655

Households w/ Renter Costs >30% of Income			
Area	1980	% of Total	1990
North	963	48%	1983
Central	1352	47%	1592
South	801	48%	1131
Total	3116	48%	4706

Source: 1980 and 1990 U.S. Census

Special Needs Populations

Large Households

Large households need large homes. In Merced, the 1990 Census counted **3200 households in Merced with 5 or more persons, representing nearly 18 percent of all households in the city.** Of these households, 67 percent (2147) are renters.

Although the census also counted approximately 9850 units in Merced with 5 or more rooms (indicating that units exist to meet the needs of large families), these **large units are unaffordable to many of the households who need them.**

Cross-tabulations of income, housing cost and unit size are not yet available from the 1990 census. However, there are several indicators to consider. Interview results indicated general agreement among many in the community that there is a shortage of large, affordable units, both for sale and rent, to meet the needs of large households. These perceptions were reinforced by findings from reviews of *Home Finders* listings and classifieds in the *Merced Sun-Star* on November 1, 1991. *Home Finders* showed only five 4-bedroom housing units available in Merced, all of which were located in North Merced and had a median rent of \$800. The service showed only 4 units available in South Merced, none of which had four or more bedrooms. The *Sun-Star* showed many 4-bedroom units available in North Merced, but none in South Merced (though many did not list addresses).

These indicators coupled with the very low vacancy rate for rentals in South Merced and the growing percentage of large families who rent rather than own indicates that there is a (perhaps severe) affordability gap for large households in need of large housing units. This **affordability gap contributes to the growing number of overcrowded units** in Merced (see *Market and Inventory Conditions*).

Single Parent Families

In 1990 there were 3,573 single parent families in Merced, representing **20 percent of all households in Merced.** Seventy-seven percent of single parent families were headed by a female.

Single parent families have special housing needs. From an affordability point of view, they tend to have **lower incomes** and thus tend to experience **higher rates of housing overpayment** than other types of households. This is because single parent families are typically limited to a single income and must often shoulder the cost of childcare in order to participate in the workforce.

In 1980, the median income for female-headed households was \$9,985 compared to a median of \$20,040 for all families. Forty-two percent of all female-headed households had incomes under the poverty level that year; more than half of these had children under the age of six. Although percentages have not yet been reported for 1990, it is likely that they will be even greater.

Seniors

The number of individuals age 65 and over in the City of Merced grew from **3,381 in 1980 to 5,057 in 1990.** However, those numbers as a percentage of population remained relatively constant over the ten year period, remaining at approximately **9 percent of the population** in both 1980 and 1990.

The size of Merced's senior population will continue to grow (and will represent a much larger portion of the population) in the coming years. As it does, the demand for housing that responds to the needs of seniors will also grow.

The housing needs of seniors vary considerably with age and ability. For many, particularly in the lower age ranges, their housing needs do not differ from those of the general population. However, for those experiencing physical difficulties or limitations, there are particular needs that must be responded to in both the location and design of their housing. These needs might include being near shopping areas and other services, having access to skilled nursing facilities, and having housing units that are single-story or elevator-equipped. For frail elderly, there must be adequate spaces available in skilled nursing facilities. In 1990 there were 347 individuals in nursing homes in Merced.

The issue of affordability is of particular importance to most seniors because they must live on **fixed incomes.** As housing costs rise, the cost burden on senior households increases. In 1980, 271 individuals age 65 and over were living below the poverty level, representing 9 percent of all seniors.

Persons With Disabilities

It is difficult to quantify this group due to the broad nature of the term "disability." People with disabilities can include people with hearing and vision loss, people who have physical mobility problems and people who are learning, mentally and emotionally disabled. These groups account for nearly 37 percent of the American population. Other disabled groups include the 10 percent of the population who, on any given day, experience temporary disability (e.g., a broken leg) and 10 percent who are over the age of 65. In total, more than half of the American population is "disabled" on any given day.

If we apply these general percentages in Merced, **we can estimate a permanent "disabled" population of 20,800 individuals** plus the 5000 seniors discussed on the previous page.

In relation to housing, **people with disabilities have special needs related to design that vary according to the type and severity of disability.** Meeting these needs is difficult, however, when factoring in the issue of affordability. **People with disabilities often have limited incomes** as a result of difficulties in obtaining and retaining well-paying jobs due to discrimination and, in some cases, due to physical limitations; finding housing that is both design-responsive and affordable is often an impossible task.

Farmworkers

Agriculture is the largest industry in Merced County, employing a monthly average of 11,850 individuals in 1990 (accounting for 21 percent of employment in the County that year). If we assume a distribution of farmworker population in accordance with overall population distribution in the County, we can estimate a monthly average of 3,500 farmworkers residing in the City of Merced.

The seasonal nature of agricultural employment places special demands on the area's housing stock—i.e., it must absorb seasonal fluctuations in the number of individuals and families seeking housing. In 1990, monthly agricultural employment fluctuated between approximately 7,000 (Feb.) and 16,700 (Sep.), representing a **potential migrant farmworker population of 9,700 wage-earners plus their families.** This represents a maximum potential, however, since seasonal labor can also be drawn from the county's year-round population.

There are 5 **State Migrant Centers** in Merced County, i.e., housing units that are constructed and managed by the State, through the County Housing Authority, to house migrant farmworker families. These centers are located in Merced, Los Banos, Cortez, Atwater/Livingston, and Planada. In total, they provide 290 units for occupancy between the months of May and November. The Merced center has 50 units. In addition, there are **55 private farmworker camps** in the County that are licensed by the State. There are no accurate figures on the number of units provided by these camps, but it is certain that the total number of units available is considerably less (by thousands) than the number needed.

Given the circumstances of migrant farm labor, it is difficult to determine the full extent of unmet demand for farmworker housing. However, **at State Migrant Centers, 92 farmworker families were turned away on opening day last year**, representing 25 percent of those families seeking migrant housing at the centers.

Manuel Castro of the California Office of Migrant Services says that based on his experience of the past twenty years, most families who are unable to obtain housing at the centers will seek shared housing with friends or relatives; virtually all are unable to afford market rents. This would help account for the **high occurrence of overcrowded units** in the city, particularly in South Merced.

The quantitative aspects of farmworker demand for housing is often overshadowed by the qualitative characteristics of the housing they occupy. Because most farmworker families have low or very low incomes, the segment of **the housing stock they occupy is typically substandard** (and as previously mentioned, overcrowded). Many farm labor camps consist of mobile homes, trailers, and literal "sheds" that are typically in substandard condition. The alleyways of South Merced give testimony to similar housing conditions.

Housing Needs by Race and Ethnicity

The City of Merced has become increasingly diverse in the past ten years, and is likely to become increasingly more diverse in the coming ten years.

The table below (and the information presented on CHAS Table 2A) shows 1980 and 1990 figures for Merced's various populations by race and ethnicity. While every group showed an increase in overall population during the past ten years, **the highest rate of growth by far was among Asians and Pacific Islanders, growing 1400 percent in the ten year period.** These figures reflect the large influx of Hmong and Laotian refugees into the City of Merced since 1980. In the 1990 census, 4,749 people in Merced identified themselves as Hmong and 1,688 identified themselves as Laotian. In addition, the number of people identifying themselves as "other" soared from 56 in 1980 to 8,570 in 1990. It is likely that many of these people would fall into the Hmong or Laotian categories.

The second fastest growing racial group in Merced during the 1980s was people of Hispanic origin, growing at a rate of 63 percent, while the White population grew at a rate of 53 percent.

1980 and 1990 Population by Race and Ethnicity

	1980 pop.	1990 pop.	% change
<i>White</i>	22,613	34,675	53%
<i>Black</i>	2,647	3,860	46%
<i>Hispanic</i>	10,289	16,786	63%
<i>Native American</i>	324	522	61%
<i>Asian/Pac. Islander</i>	570	8,564	1,402%
<i>Other</i>	56	8,570	15,203%
<i>Total</i>	36,499	56,216	54%

Merced's current mix of race and ethnic groups makes it one of the most diverse cities in the country. It also has several important impacts on the local housing market.

Most importantly, many Hmong, Laotian and Hispanic households fall into the moderate, low and very low income categories. Thus, there is a higher degree of housing overpayment in these groups than there is among Whites. It is also more likely that households in these groups will require housing assistance, will live in substandard housing and/or will live in overcrowded conditions. Overcrowding, in particular, is a widespread problem among these groups due to large family size and the desire to live in extended family situations. The dominant pattern of housing construction in Merced, as in most of the U.S., does not respond to the needs of these families, and the few large homes that exist are typically out of these families' range of affordability.

In addition, the majority of non-White households are concentrated in South Merced, where the cost of housing is lowest and the occurrence of substandard housing is the highest. The City's Affordable Housing Action Plan has set a goal of achieving a more equitable mix of affordable housing throughout the City. However, it will be a difficult goal to achieve in light of land costs in the North Merced area. It is more likely that housing conditions for low income families in South Merced will be improved through the City's Housing Rehabilitation Program and new construction or rehabilitation that is designed to meet the needs of large families.

Supportive Housing Needs of the Homeless

There were 64 "homeless" individuals in emergency shelters in Merced during the 1990 census count. The census did not count any individuals in street locations.

It is likely that these figures are an undercount of the actual homeless population in Merced (1990 census figures for the homeless have been disregarded by many as a significant undercount). This is because of the difficulty in achieving an accurate "count" of homeless individuals and because of the many "hidden homeless" in Merced—people who are without homes of their own and are living in overcrowded units with relatives or friends rather than on the street.

The Emergency Shelter Program operated by the Merced County Housing Authority reported serving 597 adults and children in 162 families during the twelve month period between November of 1988 and November 1989. It is likely that the number of families being served by this program has grown in the two years since that time.

While "homelessness" is not currently perceived as a visibly critical issue by many, housing statistics for overcrowding and information from interviews with individuals providing services in the city indicate that **many people in Merced may be considered "hidden homeless."** In addition, the growing number of low and very low income households coupled with rising housing costs and a tight rental market means that **an increasing number of households in Merced are in danger of becoming homeless** in the near future.

At present, there is need for improved shelter and housing services for Merced's homeless population. While the City's Armory is opened by the State to provide shelter during the winter months, it is not available year-round. In addition, there is not, at present, a transitional housing facility to provide longer term, supportive housing for families and individuals who are homeless and trying to re-enter the housing and job markets. The City of Merced Affordable Housing Action Plan states the City's intention to work with other agencies in the City and County to develop both a permanent emergency shelter and a transitional housing facility to meet the needs of Merced's homeless population.

Supportive Housing Needs for Others with Special Needs

Descriptions of Merced's senior and disabled populations are provided on pages 12 and 13.

There are, at present, few supportive housing services to meet the needs of these populations. Financial assistance is primarily provided through the County Human Services Agency while housing for the frail elderly is provided through private nursing homes in the City. In 1990, the census reported 347 individuals residing in nursing homes in Merced.

Housing services for people with disabilities (mental, physical and developmental) are inadequate at present in Merced. In particular, there is need for supportive housing to serve persons returning to the community from mental care institutions.

CHAS Table 1A**Housing Assistance Needs of Low and Moderate Income Households**

The table on the following page is required as part of the City's CHAS. It presents estimated figures for the numbers of households in lower income categories that are in need of housing assistance.

The figures presented in the 1992 CHAS submission are from the City's Housing Assistance Plan for 1989 - 1992. In future years, data for this table (and for tables for each of the City's racial and ethnic groups) will be provided by HUD based on 1990 census figures. However, these figures are not yet available.

CHAS Table 1A

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

Housing Assistance Needs of
Low & Moderate Income Households

Comprehensive Housing Affordability Strategy (CHAS)

Name of Jurisdiction(s) or Consortium:

CITY OF MERCED

Five Year Period:
FY: '92 through FY: '96

Mark one:
☒ Current Estimate as of: (enter date) March 1992
☐ Five-Year Projected Estimate as of: (enter date)

Mark one:
☒ All Households
☐ Racial/Ethnic Group Households: (specify) ¹

Household by Type, Income, & Housing Problems	Renters					Owners				
	Elderly 1 & 2 Member Households (A)	Small Related (2 to 4) (B)	Large Related (5 or more) (C)	All Other Households (D)	Total Renters (E)	Elderly 1 & 2 Member Households (F)	Small Related (2 to 4) (G)	Large Related (5 or more) (H)	All Other Households (I)	All Owners (J)
1. Very Low Income (0 to 50%)*	232	901	232		1365					
2. With Housing Problems										
3. Physical Defects										
4. Overcrowded										
5. Cost Burden > 30%										
6. Cost Burden > 50%										
7. Other Low-Income (51 to 80%)*	221	771	234		1226					
8. With Housing Problems										
9. Physical Defects										
10. Overcrowded										
11. Cost Burden > 30%										
12. Cost Burden > 50%										
13. Total Low-Income	453	1672	466		2591					
14. Moderate Income (81 to 95%)*										
15. With Housing Problems										
16. Physical Defects										
17. Overcrowded										
18. Cost Burden > 30%										
19. Cost Burden > 50%										
20. Middle Income Hshlds. (96 to 120%)*										
21. All Households										

¹ See Table 2A for listing of Racial/Ethnic Groups
* Or, if appropriate, based on HUD income limits with required statutory adjustments.

2. Market and Inventory Conditions

This section summarizes conditions in the local housing market, building on the population trends and income distribution information presented in the previous section.

It includes:

- Trends in the Supply of Housing, 1980 - 1990
- Housing Mix and Distribution
- Present Housing Conditions
- Vacancy Rates
- Overcrowding
- Housing Affordability

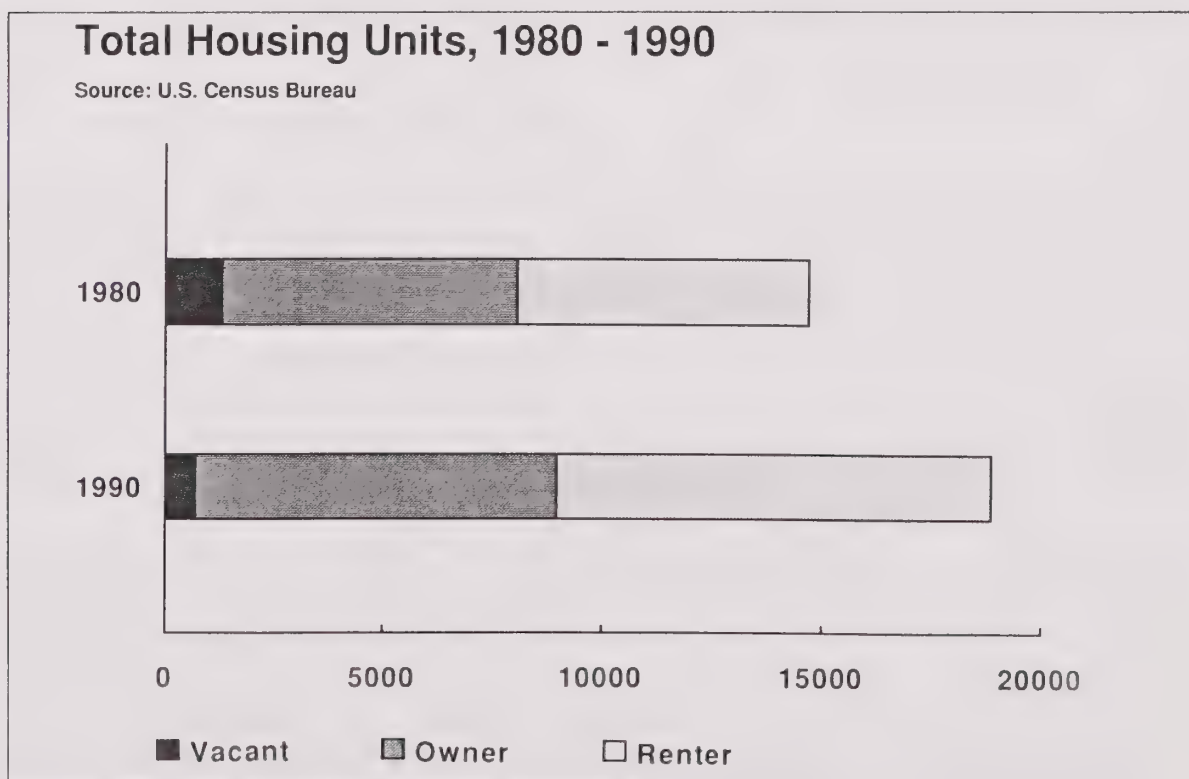
Trends in the Supply of Housing, 1980 - 1990

The number of housing units in Merced increased 28 percent in the 1980s to a total of 18,848 units in 1990.

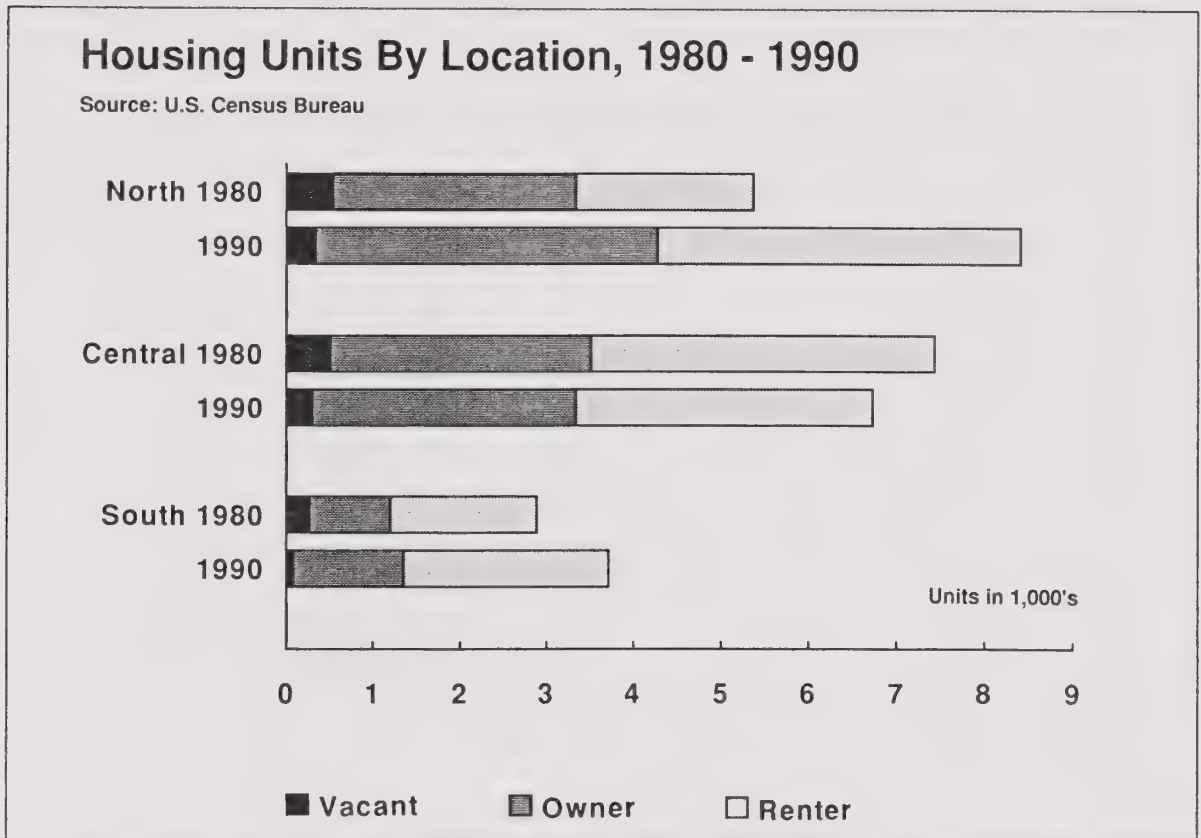
Citywide, the largest increase was in the number of renter-occupied units. From 1980 to 1990, the number of renter-occupied units grew from 6,623 to 9,877, an increase of 49 percent. The rate of increase for owner-occupied units was 22 percent.

By area, the largest increase in number of units was in North Merced, where more than 3,000 new units were added (representing a 57 percent increase). The smallest increase was in Central Merced (300 unit increase) while in South Merced the number of units increased 29 percent (630 units) to a total of 3,700 units.

One of the most interesting trends was the dramatic decrease in the vacancy rate citywide (9 percent in 1980 to 4 percent in 1990). This trend was particularly significant in South Merced where the vacancy rate dropped from 9 percent in 1980 to 2 percent in 1990. This trend is discussed in detail in *Vacancy Rates*.



Total housing units in Merced, 1980 and 1990 (Source: U.S. Census Bureau).



Housing units in Merced by area, 1980 - 1990 (Source: U.S. Census Bureau).

New Housing Authorizations, 1980 - 1990

The past ten years have witnessed the dual trends of **increasing construction of single family homes** and **decreasing construction of multi-family units** (apartments and condominiums).

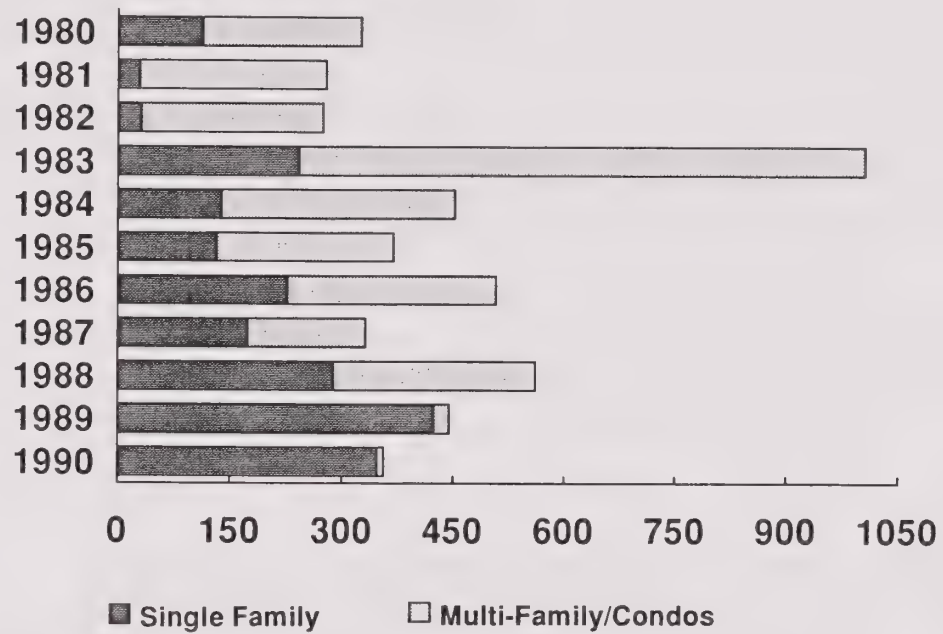
The decrease in multi-family unit construction is due, in part, to the tax law changes of 1986 that ended investment incentives for multi-family projects. As a result, it has been difficult in recent years to show a profit on multi-family rental projects due to construction costs and rent levels.

Between 1980 and 1990, the City of Merced approved building permits for the construction of **2,146 single family homes** and **2,749 multi-family units** (including condominiums), for a total of 4,895 new units.

Based on these figures and the owner/renter breakdowns for 1980 and 1990, it seems that the number of single family homes occupied by *renters* has increased in the past ten years.

New Housing Authorizations, 1980 - 1990

Source: City of Merced



The above chart illustrates the number of single family and multi-family units which were granted building permits in the City of Merced between 1980 and 1990 (Source: City of Merced).

[NOTE: The discrepancy between the total authorizations between 1980 and 1990 and the increase in housing units reported in the census is attributed to the fact that not all authorized units were completed by the time of the census.]

Housing Mix and Distribution

The figures reported in this document illustrate an imbalance in the mix and distribution of housing (and households) in Merced. **For nearly every measure—household income, housing conditions, overpayment, overcrowding, etc.—South Merced is "worse off" than the rest of the city.**

The tables and graphs presented here show the distribution of homes by value (for owner-occupied units) and rent (for renter-occupied units) in 1990. As can be seen, the vast majority of homes in South Merced are valued at less than \$100,000; the weighted median rent is \$320 compared with \$372 citywide.

The CHAS aims to address the issue of housing mix and distribution—what types and costs of units should be encouraged where. However, in addition to consideration of a **desired "social mix,"** the city's housing policies also give consideration to the cost of land and its impact on the cost of housing.

Housing Value by Location, 1990

	North	Central	South	Total
\$300K+	30	34	1	65
\$200-300K	132	60	9	201
\$150-200K	410	117	13	540
\$100-150K	1636	392	79	2107
\$50-100K	1252	1846	814	3912
<\$50K	42	145	242	429

Source: 1990 U.S. Census

Housing Rents by Location, 1990

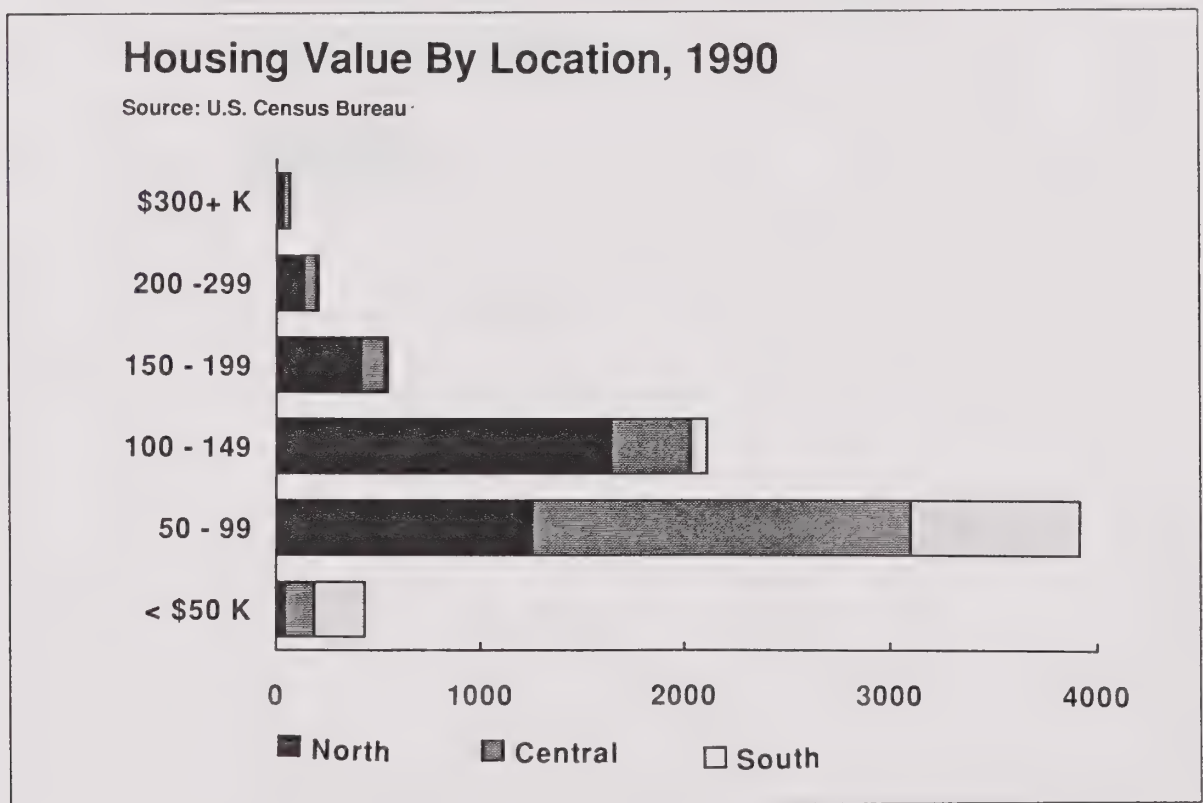
	North	Central	South	Total
\$750+	173	15	7	195
\$500-750	920	355	161	1436
\$350-500	2235	1023	717	3975
\$250-350	546	1347	676	2569
<\$250	222	590	737	1549

Source: 1990 U.S. Census

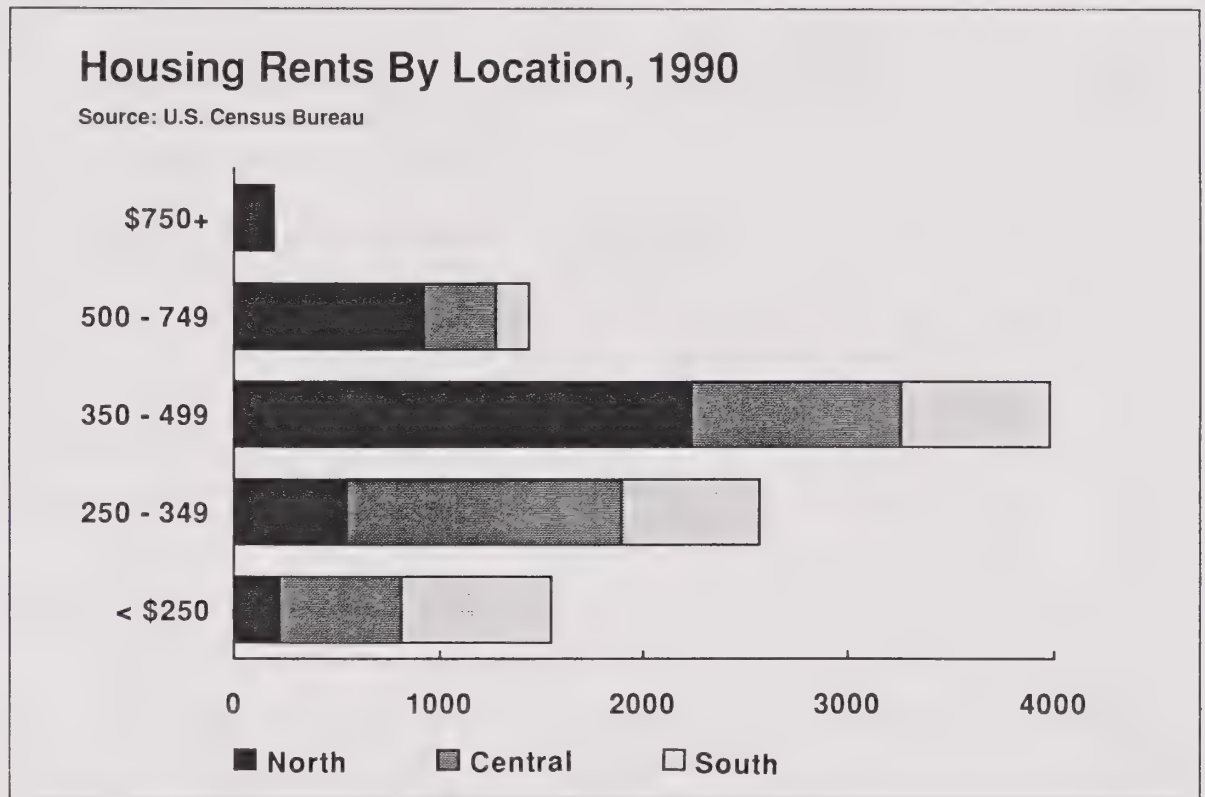
Median Values and Rents by Location, 1990

	Median Value	Median Rent
<i>North</i>	\$111,804	\$424
<i>Central</i>	\$ 80,508	\$331
<i>South</i>	\$ 65,722	\$320
<i>Citywide</i>	\$ 91,850	\$372

Source: 1990 U.S. Census; medians are weighted calculations from medians of each tract.



The chart above illustrates the 1990 distribution of housing values by city location.



The chart above illustrates the 1990 distribution of rents by city location.

Present Housing Conditions

The City conducted a **housing conditions survey** in the Fall of 1991. The table and map that follow illustrate the areas surveyed and the number of units in need of rehabilitation or demolition.

The house-to-house windshield survey considered the condition of each dwelling unit in terms of its foundation, roofing, siding, windows and exterior doors. Indoor conditions are not reflected in the survey figures. Based on staff observations, dwellings were scored and categorized as follows:

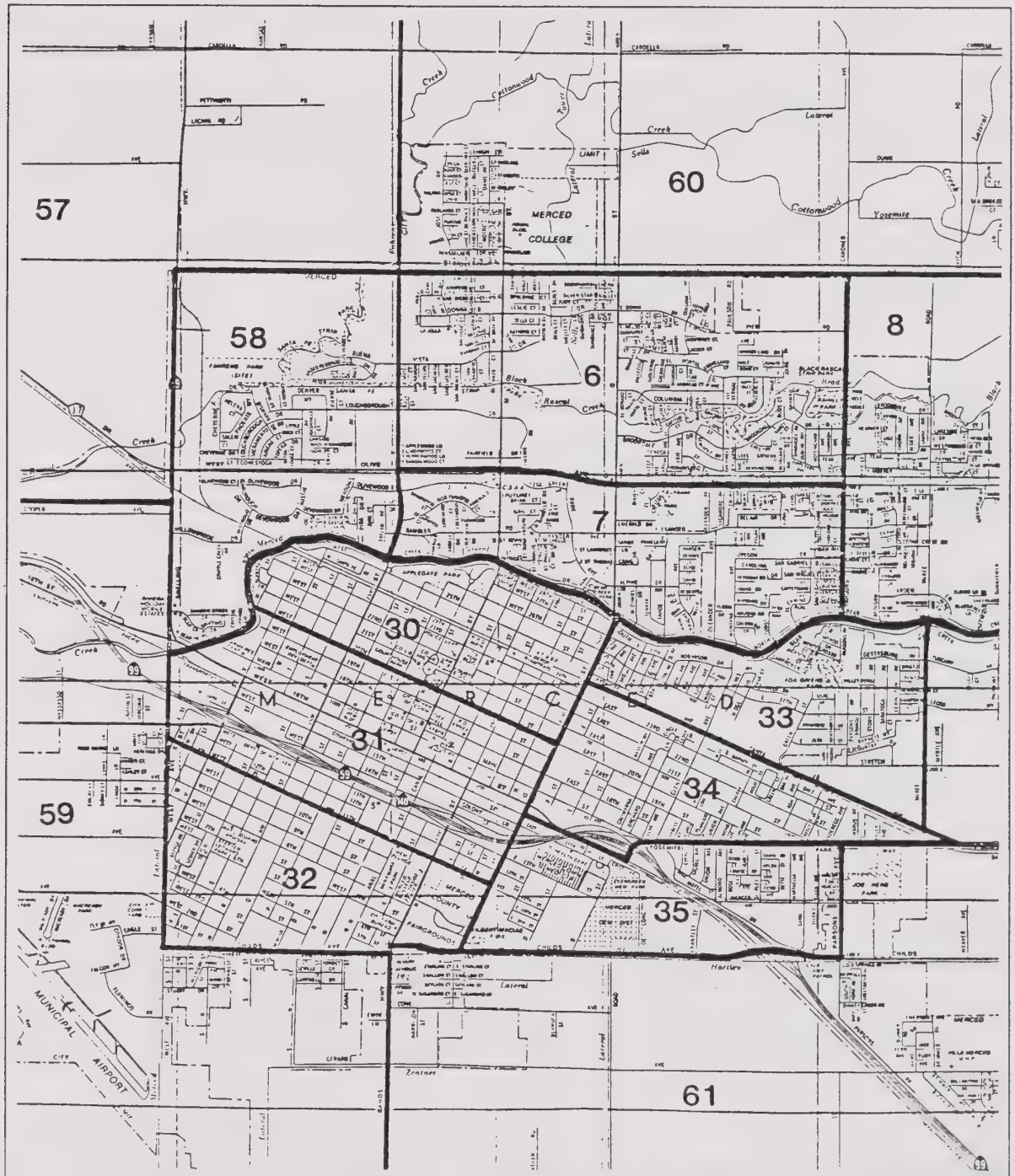
- **Moderate (Mod.)**
Moderate repair may be needed.
- **Major**
Major repair or replacement may be needed.
- **Demolition (Demo.)**
Replacement is needed.

According to the survey results, there are **over 300 housing units in Merced in need of major repair or replacement**. Most of these units are located in Central and South Merced, primarily in the areas near Highway 99. **Nearly 1,200 units are in need of moderate repair**. In total, the survey identified more than 8 percent of the city's housing stock as in need of some repair or replacement.

Housing Conditions by Area, 1991

Area	Mod.	Major	Demo.	Total
6	14	0	0	14
7	2	0	1	3
30	174	17	18	209
31	262	67	67	396
32	340	27	26	393
33	55	1	0	56
34	264	37	19	320
35	86	12	13	111
<i>Total</i>	1197	3161	144	1502

Area designations refer to the map on the following page (Source: City of Merced).



The map above illustrates the area designations (corresponding to city lot numbers) used in tabulating the results of the housing conditions survey.

Vacancy Rates

Vacancy rates provide a quantifiable measurement of housing demand. The rule of thumb is that a 4.5 percent to 5 percent vacancy rate indicates a good balance of supply and demand in the housing market.

Vacancy rates in Merced have dropped dramatically in the past ten years, from **9 percent in 1980 to 4 percent, citywide, in 1990**. This rate is even lower in the South Merced area, where the 1990 census reported a 2 percent vacancy rate.

In the past year, the vacancy rate has dropped even lower, according to professionals in the city's real estate market. Many estimate the current vacancy rate for rentals in South Merced near zero percent. A search of *HomeFinders* (a rental listing agency) and the classified section of the *Merced Sun-Star* on November 1, 1991, confirmed these perceptions (*HomeFinders* listed only 3 units available in South Merced compared to 134 units in North Merced).

This critical situation may be attributed to a number of factors, including the impending closure of Castle Air Force Base. Families from the base who would normally buy a home in the Merced market are now renting because they will soon be restationed. This demand on the rental market is in addition to demand resulting from a soft buyers market (due to the recession, many people are not buying at this time) and an increasing number of households in the low and very low income categories. These demand factors coupled with relatively stagnant growth in development of new multi-family rental housing have created excess demand in relation to supply.

This situation will likely be alleviated (at least in the short term) subsequent to the base closure and the end of the recession. However, unless the development of new multi-family rental housing increases over levels of the past two years, the vacancy rate will likely remain abnormally low for rental units.

Vacancy Rates, 1980 and 1990

Area	1980	1990
<i>North</i>	10%	4%
<i>Central</i>	8%	4%
<i>South</i>	9%	2%
<i>Citywide</i>	9%	4%

Source: U.S. Census Bureau

Overcrowding

An overcrowded unit is defined as a housing unit with 1.01 persons or more per room. The table below shows the number of overcrowded units in Merced in 1980 and 1990.

The number of overcrowded units as a percentage of total units in the city **increased substantially in the 1980s**. This increase was **particularly significant in South Merced, where 43 percent (1,569) of the units were overcrowded 1990**. Of these South Merced units, 992 (more than 60 percent) were renter-occupied units with more than 2.01 persons per room (indicating extreme overcrowding).

Overcrowding is almost always directly related to housing affordability. A household that cannot afford housing based on its own income may "team up" with another household, combine incomes, and thereby be able to afford a housing unit. Quite typically, such households are composed of related individuals, living together in an extended family situation.

In some circumstances, households choose to live together in extended family situations regardless of income and housing costs. Such decisions are usually based upon cultural attitudes and norms. In the United States, it was once quite common for extended families to live together. Today, while it is no longer "mainstream" to live in large families, it is a tradition that remains strong in some communities. In these communities it may be important to provide housing units that respond to the needs of extended family living situations, thereby avoiding the creation of overcrowded housing units.

Overcrowded Units (>1.01 Persons per Room)

	1980		1990	
	#	% of Total	#	% of Total
<i>North</i>	85	2%	447	5%
<i>Central</i>	275	5%	1071	17%
<i>South</i>	605	23%	1569	43%
<i>Total</i>	965	7%	3087	17%

Source: 1980 and 1990 U.S. Census.

Housing Affordability

Nearly every issue discussed in the preceding section related to the ability of households to afford housing that responds to their needs.

The tables below and on the following page help establish the relationship between household income and ability to pay for housing. The figures assume 30 percent of gross household income spent on housing. The factor of "2.5 x Income" is a rule-of-thumb for translating income into affordable home prices.

Household Incomes and Affordable Rents

Household Income	Annual Rent @ 30%	Monthly Rent @ 30%
\$10,000	\$3,000	\$250
\$12,500	\$3,750	\$313
\$15,000	\$4,500	\$375
\$17,500	\$5,250	\$438
\$20,000	\$6,000	\$500
\$22,500	\$6,750	\$563
\$25,000	\$7,500	\$625
\$27,500	\$8,250	\$688
\$30,000	\$9,000	\$750
\$32,500	\$9,750	\$813
\$35,000	\$10,500	\$875

Household Incomes and Affordable Home Prices

Household Income	Price @ 2.5 x Income	10% Down/ 90% Mortgage
\$10,000	\$25,000	\$2,500 / \$22,500
\$12,500	\$31,250	\$3,125 / \$28,125
\$15,000	\$37,500	\$3,750 / \$33,750
\$17,500	\$43,750	\$4,375 / \$39,375
\$20,000	\$50,000	\$5,000 / \$45,000
\$22,500	\$56,250	\$5,625 / \$50,625
\$25,000	\$62,500	\$6,250 / \$56,250
\$27,500	\$68,750	\$6,875 / \$61,875
\$30,000	\$75,000	\$7,500 / \$67,500
\$32,500	\$81,250	\$8,125 / \$73,125
\$35,000	\$87,500	\$8,750 / \$78,750

Affordability by Area

The table below provides a general sense of housing affordability in each area of Merced. Based on median home prices and rents for each area and estimated income distributions, **the table shows the number and percentage of households that would not be able to afford the median priced home or rent** (assuming 30 percent of gross income spent on housing).

Not unexpectedly, **South Merced has the highest percentage of households unable to afford the median home prices and rents** in that area of the city (this fact is also reflected in figures for housing overpayment and overcrowding). For owner housing, 71 percent of the households in South Merced could not afford the downpayment and mortgage on a median priced home. **North Merced also shows a high percentage of households unable to afford the median priced home** in that part of the city.

Households Unable To Afford Median Housing Prices and Rents, by Area

	North	Central	South
<i>Median Home Price in Area</i>	\$111,800	\$80,500	\$65,725
<i>Required Income To Buy (@ 30%)</i>	\$44,720	\$32,200	\$26,300
<i># of Households Below Req. Inc.</i>	5030	3830	2526
<i>% of Households in Area</i>	64%	57%	71%
<i>Median Rent</i>	\$424	\$331	\$320
<i>Required Income To Rent (30%)</i>	\$16,960	\$13,240	\$12,800
<i># of Households Below Req. Inc.</i>	1758	1352	1359
<i>% of Households in Area</i>	22%	20%	38%

Barriers to Affordability

As the preceding tables illustrate, ability to pay for housing is directly linked to household income, and household incomes in Merced are often below the level necessary to afford the cost of housing in the City.

The gap between household incomes and housing prices can be bridged in two ways: increasing incomes or decreasing prices. The first approach is the most attractive, but also the most difficult. Increasing incomes requires the development of jobs and a vibrant economy. While there is some promise for both of these in Merced (at least in the not-too-distant future) and while it is likely that incomes will increase for many in the city, there will continue to be a significant number of households in the community that are unable to afford a safe and decent home.

The emphasis of the City of Merced Affordable Housing Action Plan, CHAS and Housing Element is on strategies for both decreasing the cost of housing in the City and improving the quality of the existing affordable housing stock. These strategies include a comprehensive review of City land use policies and their impact on the costs of housing construction, joint ventures between the City and private or nonprofit developers to leverage public funds for the construction of new affordable housing, and various financial strategies for reducing the costs of construction and mortgage financing for affordable housing projects and for low-income, first-time homebuyers.

While there is great hope for these efforts by the City and by other agencies at the County, State and Federal levels, it is unfortunately not realistic to assume that these efforts will rid the City of its present housing affordability problems. The City of Merced has, and will continue to have, a large population of lower income households, many who have special housing needs. While the City's efforts will help to alleviate the problem of affordability for many, it will persist as a problem in the community into the foreseeable future.

CHAS Tables 2A, 2B and 2C

These tables are required as part of the City's CHAS.

Table 2A: Population and Minority Data

This table provides a summary of the City's population by race and ethnicity, as well as for persons in group quarters, in 1980 and 1990. These figures are from the 1980 and 1990 census.

Table 2B: Market and Inventory Conditions/ Housing Stock Inventory

These figures are from the 1990 census and the City's housing conditions survey of 1991 (see page 33). Renter/owner percentages for units in need of rehab have been applied from the City's Housing Assistance Plan, 1989 - 1992.

Table 2C: Assisted Housing Inventory

Figures for this table are forthcoming from the Merced County Housing Authority.

CHAS Table 2A

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

Population and Minority Data

Comprehensive Housing Affordability Strategy (CHAS)

Name of Jurisdiction(s) or Consortium:	Five Year Period: (enter fiscal yrs.)	
CITY OF MERCED	FY: '92	through FY: '96

Category	1980 Census Data (A)	1990 Census Data or Current Estimate (B)
1. Total Population	36,499	56,216
2. White (Non-Hispanic)	22,613	34,675
3. Black (Non-Hispanic)	2,647	3,860
4. Hispanic (All races)	10,289	16,786
5. Native American	324	522
6. Asian and Pacific Islanders	570	8564
7. Group Quarters	578	866
8. Institutional	560	754
9. Non-Institutional	18	112
10. Household Population	13,509	18,154

*56 "other"

*8570 "other"

CHAS Table 2B

Market and Inventory Conditions Housing Stock Inventory

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

Comprehensive Housing Affordability Strategy (CHAS)

Name of Jurisdiction(s) or Consortium:

CITY OF MERCED

Five Year Period: (enter fiscal yrs.)

FY: '92

through FY: '96

Check one:

☐ 19____ Census

☒ Current Estimate as of: (enter date)

March 1992

Category	Total (A)	0 or 1 bedrooms (B)	2 bedrooms (C)	3 or more bedrooms (D)
1. Total Year-Round Housing	18,850			
2. Total Occupied Units	18,154			
3. Renter Occupied Units	9,877			
4. Needing Rehab	680			
5. Not Rehabbable	71			
6. Owner Occupied Units	8,276			
7. Needing Rehab	694			
8. Not Rehabbable	72			
9. Total Vacant Units	695			
10. For Rent	278			
11. Needing Rehab	14			
12. Not Rehabbable	1			
13. For Sale	417			
14. Needing Rehab	5			
15. Not Rehabbable	0			
16. Awaiting Occupancy or Held	--			
17. Other	--			

CHAS Table 2C

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

Assisted Housing Inventory

Comprehensive Housing Affordability Strategy (CHAS)

Name of Jurisdiction(s) or Consortium: Housing Authority of the County of Merced Merced County Coalition for Affordable Housing	Five Year Period: (enter fiscal yrs.)	
	FY: 1992	through FY: 1997
	Current Estimate as of: (enter date) March 30, 1992	

Category	Total Stock and Inventory				
	Total (A)	SRO (B)	0 or 1 bedrooms (C)	2 bedrooms (D)	3 or more bedrooms (E)
1. Project Based Tenant Assistance					
2. Public Housing	262		56	80	126
3. Section 202					
4. Section 8	669		182	195	292
5. Other HUD					
6. FmHA					
7. Tenant Based Tenant Assistance					
8. Section 8					
9. Other State/Local	27				27
10. Homeowner Assistance					

Section II

Five-Year Strategy

Part 3. Strategies

The City of Merced Affordable Housing Action Plan provides strategic direction for the City's efforts towards meeting housing needs for very low, low and moderate income groups in the City. A complete copy of the Plan is included with the CHAS as Appendix A.

The following narrative highlights the strategies included in the Action Plan that address areas of particular interest specified in the CHAS.

Priorities for Allocating Investment (CHAS Table 3)

Table 3, at the end of this section, provides a summary of the "Priorities for Assistance" in use of federal funds (i.e., CDBG funds) during the five-year timeframe. In accordance with HUD instructions, the Table identifies allocation priorities on a scale from 1 to 3, with a "1" rating indicating the highest priority.

As the Table indicates, highest priority has been given to moderate rehabilitation and substantial rehabilitation categories, particularly for rehabilitation efforts serving lower income households that are large families, existing homeowners, homeless persons and persons with special needs.

These are housing needs that were identified by the City's Affordable Housing Task Force based on information which is summarized in Section I of the CHAS.

The goals, policies and implementing programs which would be supported by CDBG and HOME monies are presented in Goal Area B of the Action Plan, Housing Conservation and Rehabilitation. Specifically, this goal area includes the following five-year goal and policy statements:

- *Goal: Ensure quality affordable housing through the conservation and rehabilitation of the existing housing stock.*
 - Continue the City's Housing Rehabilitation Loan Program.
 - Promote preventive maintenance and energy conservation in older housing units.
 - Pursue State and Federal funds to support conservation and rehabilitation.

These policies and the programs that have been identified to ensure their implementation are presented on pages 19 through 22 of the *City of Merced Affordable Housing Action Plan, 1992 - 1997*.

Relevant Public Policies, Programs, Services and Special Initiative Strategies

In addition to the rehabilitation efforts to which Federal funds will be allocated, the Action Plan includes a number of goals, policies and programs directed at responding to affordable housing needs in the Merced, including new construction of affordable housing, housing assistance and city coordination of affordable housing efforts in the city. These strategies are detailed in the Action Plan, attached as Appendix A. Among others, strategies that will be pursued in the coming five years include:

- Review of city land use policies and regulations to promote affordable housing development.
- Pursuit of joint development agreements with private and nonprofit developers to leverage use of public monies in construction of new affordable housing units.
- Establishment of an Affordable Housing Ordinance to encourage the construction of affordable units in all new housing developments.
- Establishment of a downpayment assistance program to make homeownership affordable to lower income households.
- Exploration of the feasibility for developing a Transitional Housing and/or permanent Emergency Shelter facility in the city.
- Establishment of an Affordable Housing Community Fund to coordinate city funds allocated to affordable housing programs.

Institutional Structure

The Affordable Housing Action Plan identifies the city departments and decisionmaking bodies responsible for each implementing program. Overall coordination of affordable housing efforts is provided by the City's Housing Program.

For the implementing programs to which federal funds have been allocated, the City of Merced Housing Program has primary responsibility for implementation.

CHAS Table 3

Priorities for Assistance 5-Year Plan

U.S. Department of Housing and Urban Development
Office of Community Planning and Development

Comprehensive Housing Affordability Strategy (CHAS)

Name of Jurisdiction(s) or Consortium:

CITY OF MERCED

Five Year Period (enter fiscal yrs.)

FY. 1992 through FY. 1996

Activity	Renters				Owners			Homeless Persons (H)	Other Persons with Special Needs (I)
	Elderly 1 & 2 Member Households (A)	Small Related (2 to 4) (B)	Large Related (5 or more) (C)	All Other Households (D)	Existing Homeowners (E)	First-Time Homebuyers With Children (F)	All Others (G)		
Very Low-Income Persons	1 Moderate Rehabilitation / Acquisition	2	2	1	2	1	2	2	1
	2 New Construction, Substantial Rehabilitation, Related Infrastructure	2	2	1	2	1	2	2	1
	3 Rental Assistance	3	3	3	3			2	2
	4 Homebuyers Assistance					1	1		
	5 Support Facilities and Services	2	2	2	2	2	2	2	2
Other Low-Income Persons	6 Moderate Rehabilitation / Acquisition	2	2	1	2	1	2	2	1
	7 New Construction, Substantial Rehabilitation, Related Infrastructure	2	2	1	2	1	2	2	1
	8 Rental Assistance	3	3	3	3			2	2
	9 Homebuyers Assistance					1	1		
	10 Support Facilities and Services	2	2	2	2	2	2	2	2

Section III
One-Year Plan

Parts 4 and 5. Resources and Implementation

CHAS Table 4/5A

Anticipated Resources and Plan for Investment

The table on the following pages provides a summary of anticipated financial resources for use in affordable housing programs in Merced. It includes anticipated federal funds to be awarded to the City (page 1), anticipated federal funds to be awarded to the County Housing Authority (page 2), and anticipated non-federal funds (which, for 1992, is \$500,000 expected from the City Redevelopment Agency's housing set-aside funds). The columns of the table indicate anticipated resource commitments by type of activity.

In summary, the City anticipates \$600,000 to be available from Community Development Block Grant funds, and \$750,000 to be available from the new HOME program funds. These funds are targeted towards rehabilitation activities.

The figures in Table 4/5A are taken from the Implementation Matrices of the City of Merced Affordable Housing Action Plan (Appendix A). These matrices, presented on the last several pages of the Action Plan document, provide a comprehensive summary of funding allocations and funding sources for each implementing program during the 1992 fiscal year. They also include a listing of agencies responsible for implementation of each program, estimated staff hours, and the quantified objectives for the 1-year and 5-year timeframes.

CHAS Table 5B

Goals for Families to be Assisted with Housing

This table provides a summary of the number of households that the City hopes to assist in the 1992 fiscal year with the anticipated federal resources. It therefore reflects only those households that the City hopes to assist through CDBG and HOME funded programs.

Again, these numbers are based on objectives identified in the Implementation Matrices of the Affordable Housing Action Plan.

Anticipated Resources & Plan for Investment

Comprehensive Housing Affordability Strategy (CHAS)

Name of Jurisdiction(s) or Consortium:

CITY OF MERCED

FY:

1992

Funding Source Federal Funds Awarded or to be Awarded to Jurisdiction	Anticipate to be Available (A)	Expect to Commit (B)	Anticipated resources expected to be committed to projects/activities during FY (\$000's)							
			Rehabilitation (C)	Acquisition (D)	Tenant Assistance (E)	New Construction (F)	Home Buyer Assistance (G)	Planning Grants (H)	Support Services (I)	Operating Costs (J)
1. Home	750	750	750							
2. Hope 1										
3. Hope 2										
4. Hope 3										
5. CDBG	600	600	595						5	
6. DOE/Other Energy Prg.										
7. Other (Specify)										
8.										
9. Subtotal - Housing	1350	1350	1345						5	
10. CDBG (Homeless)										
11. ESG										
12. Perm. Housing for Handicapped										
13. Transitional Housing										
14. Shelter Plus Care										
15. Other: (Specify)										
16.										
17.										
18. Subtotal - Homeless										
19. Total to Jurisdiction	1350	1350	1345						5	

Funding Source Federal Funds Awarded or to be Awarded to Other Entitles	Anticipate to be Available (A)	Expect to Commit (B)	Anticipated resources expected to be committed to projects/activities during FY (\$000's)							
			Rehabilitation (C)	Acquisition (D)	Tenant Assistance (E)	New Construction (F)	Home Buyer Assistance (G)	Planning Grants (H)	Support Services (I)	Operating Costs (J)
20. Hope 1										
21. Hope 2										
22. Hope 3	1,000	800		800			600		120	
23. Section 202 Elderly										
24. Section 811 Handicapped										
25. Rental Certificates	50	50			50					
26. Rental Vouchers	50	50			50					
27. Mod Rehab SROs Proj.										
28. Perm. Housing for Handicapped										
29. Transitional Housing										
30. LIHTC	980	980				980	980			
31. Public Housing MROP										
32. Public Housing Develop.										
33. Public Housing CIAP										
34. Public Housing Compre- hensive Grant Program	965	500	500							
35. FmHA										
36. Other (Specify) Nonprofit	1,865	1,865				1,865				
37.										
38.										
39. Total - Other Entitles	4,810	4,145	500	800	100 units	2,845	980		120	
40. Total - Federal	6,160	5,495	1845	800	100 units	2,845	980		125	

Funding Source Non-Federal Funds	Anticipate to be Available (A)	Expect to Commit (B)	Anticipated resources expected to be committed to projects/activities during FY (\$000's)							
			Rehabilitation (C)	Acquisition (D)	Tenant Assistance (E)	New Construction (F)	Home Buyer Assistance (G)	Planning Grants (H)	Support Services (I)	Operating Costs (J)
41. Total State Funds										
42. Total Local Funds	500	500			10	450	40			
43. Total Private Funds										
44. Total - Non-Federal Funds	500	500			10	450	40			
45. Grand Total All Funds	6660	5995	1845	800	100 units	3295	1020		125	

CHAS Table 5B

U.S. Department of Housing and Urban Development
Office of Community Planning and DevelopmentGoals for Families
to be Assisted with Housing

Comprehensive Housing Affordability Strategy (CHAS)

Name of Jurisdiction(s) or Consortium:

FY:

CITY OF MERCED

1992

Assistance Provided by Income Group	Total Section 215 Goals (A)	Total Goals (B)	Renters					Owners			
			Elderly 1 & 2 Member Households (C)	Small Related (2 to 4) (D)	Large Related (5 or more) (E)	All Other Households (F)	Total Renters (G)	Existing Homeowners (H)	First-Time Homebuyers		Total Homeowners (K)
									With Children (I)	All Others (J)	
1. Very Low-Income (0 to 50% of MFI)*	45	55	7	7	14	7	35	20			20
2. Mod Rehab & Acquisition	45	45	5	5	10	5	25	20			20
3. New Const, Sub Rehab, Related Infrastructure											
4. Rental Assistance											
5. Homebuyer Assistance											
6. Support Services		10	2	2	4	2	10				
7. Other Low-Income (51% to 80% of MFI)*	45	55	7	7	14	7	35	20			20
8. Mod Rehab & Acquisition	45	45	5	5	10	5	25	20			20
9. New Const, Sub Rehab, Related Infrastructure											
10. Rental Assistance											
11. Homebuyer Assistance											
12. Support Services		10	2	2	4	2	10				
13. Total Low-Income (Lines 1 and 7)	90	110	14	14	28	14	70	40			40
14. Other Income (More than 80% of MFI)*											
15. Grand Total (Lines 13 and 14)		110	14	14	28	14	70	40			40

*Or, if appropriate, based on HUD income limits with required statutory adjustments.

Section IV

Monitoring Plan and Certifications

Monitoring Plan

As part of its affordable housing efforts, the City of Merced will undertake an annual evaluation of the housing programs included in the Affordable Housing Action Plan, CHAS and Housing Element.

This evaluation will be undertaken by the City's Housing Program staff and Affordable Housing Task Force. Evaluation results will also be reviewed by the City's Planning Commission and City Council. As necessary, the goals, policies and implementing programs that guide use of the City's federal and non-federal housing funds will be adjusted in response to changing housing conditions and needs in the City. Annual funding allocations will also be reviewed and adjusted as part of the evaluation process.

On a five-year schedule, a more comprehensive update of the City's affordable housing plans will be undertaken.

Use of CDBG funds will be monitored on a day-to-day basis by City Housing Program staff to ensure that funds are being used in a timely manner in accordance with the CHAS and the Housing Action Plan. This ongoing monitoring will also involve periodic review of the housing budget by the City's Affordable Housing Task Force.

Certifications

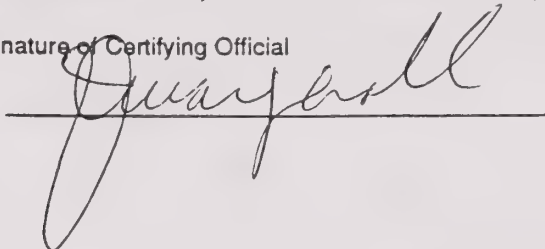
The following page provides certification by the City of Merced that it will affirmatively further fair housing and comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

Certification

The jurisdiction hereby certifies that it will affirmatively further fair housing.

Signature of Certifying Official

X

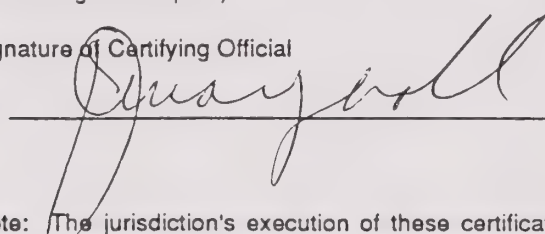
A handwritten signature, appearing to be "Quaynor", is written over a horizontal line.

Certification

The jurisdiction hereby certifies that it will comply with the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, implementing regulations at 49 CFR 24, and the requirements governing the residential antidisplacement and relocation assistance plan under section 104(d) of the Housing and Community Development Act of 1974 (including a certification that the jurisdiction is following such a plan).

Signature of Certifying Official

X

A handwritten signature, appearing to be "Quaynor", is written over a horizontal line.

Note: The jurisdiction's execution of these certifications acknowledges that it will maintain supporting evidence, which shall be kept available for inspection by the Secretary, the Comptroller General of the United States or its designees, the Inspector General or its designees, and the public.

Summary of Citizen Comments

As stated at the beginning of this document, members of the public were centrally involved in development of the CHAS document as part of a larger affordable housing planning process conducted by the City. This involvement was primarily facilitated through the City's Affordable Housing Task Force and two community workshops sponsored by the City.

The *Draft Comprehensive Housing Affordability Strategy, 1992* was made available for public review for a sixty day period beginning on March 23, 1992, and concluding on May 22, 1992. Public notice of the document's availability was provided in the Merced Sun-Star during the week of March 23rd, and copies of the document were placed at Merced public libraries and at the Merced Civic Center.

A public hearing on the CHAS document as well as on the City's Affordable Housing Action Plan was held on April 20, 1992, before the Merced City Council. A number of Merced residents spoke in favor of both the Action Plan and CHAS, emphasizing the overwhelming need for affordable housing in the City.

In addition, a letter was received from the Mental Health Advisory Board of Merced County (dated March 16, 1992). This letter emphasized the organization's desire to work with the City in implementing supportive housing services for people with mental disabilities. The letter also stated that the organization is currently working on statistics to update and document mental health needs in the Merced community.

Appendix A
**City of Merced
Affordable Housing
Action Plan,
1992 - 1997**

EXECUTIVE SUMMARY

The City of Merced Housing Action Plan is the strategic planning document to guide the City's efforts towards meeting affordable housing needs in Merced. It provides the strategic foundation for both the City's Housing Element and Comprehensive Housing Affordability Strategy.

The Plan was developed through an interactive decisionmaking process overseen by the City's Affordable Housing Task Force. The Task Force included city residents, service providers, realtors, contractors and representatives from County agencies. Task Force members are listed on the frontispiece of the Action Plan.

The Need for Affordable Housing

The first three sections of the Action Plan provide an Introduction and Overview of the Plan (Section I), a Glossary of Terms used in the document that may be unfamiliar (Section II), and a summary of the Background Data that quantify and qualify affordable housing needs in Merced (Section III).

The need for affordable housing in Merced was underscored in March of 1992, when the National Association of Home Builders rated Merced as the 13th *least* affordable city in the nation for housing. This rating is based on the percentage of homes sold in the third quarter of 1991 that were "within reach" of the median-income household at the prevailing mortgage interest rate. In Merced, only 20.4 percent of the homes sold in the third quarter of last year were affordable to median-income households in the city.

Important issues and trends presented in Background Data include:

- **The affordability gap between housing costs and household incomes is significant in Merced.** This is due in part to the City's large population of lower income households (approximately 35 percent of the City's population receives some form of public assistance) and to the inflation of housing costs during the 1980s (due to increased demand from households moving to Merced and changes in the tax laws).
- **The construction of multi-family housing has fallen-off dramatically since the mid-1980s.** As the City's population of lower income households has grown, the number of units that would traditionally meet their needs has remained relatively static. The result has been near-zero vacancy rates, increasing rents and an increasing number of overcrowded units.

- **There is an increasing disparity in income between households in North Merced and households in South Merced.** Growth during the 1980s was concentrated in North Merced and was predominantly among Above Moderate Income households. There are a number of other factors that reflect the growing disparity between these two areas of the City. In general, housing in South Merced has a higher incidence of substandard conditions, is lower in value and rent, and is overcrowded. Merced's fast-growing populations of Hmong, Laotian and Hispanic households are also concentrated in the South Merced area.
- **The need for housing rehabilitation remains strong in the City,** with nearly 1,400 units identified as in need of repair in a recent housing conditions survey. Rehabilitation is also needed to expand existing units in response to the needs of large family households.
- **There are a number of special housing needs that are not being responded to by the private housing market.** Among these are: housing for large family, lower income households; housing for farmworkers (a population that experiences seasonal fluctuations in employment); housing for people with disabilities, including supportive housing for people re-entering the community from institutions; and supportive housing for the homeless.

Key Strategies: Targeting the Response

The goals, policies and programs of the Housing Action Plan provide a strategic framework for the City's Housing Program in the coming five years. In total, the Plan sets forth 23 Housing Policies and 42 related Implementing Programs in response to Merced's affordable housing needs.

These policies and programs greatly expand the scope and nature of the City's housing policies from those presented in the City's existing Housing Element, the previous strategy document for housing in Merced.

There are two ways in which housing affordability can be achieved: the first is by decreasing housing costs; the second is by increasing household incomes. The Housing Action Plan provides strategies for doing both. A full listing of the Plan's policies and programs, organized into four "goal areas," is presented on pages 32 through 61. Following is a summary of key strategies presented in the Action Plan:

- ***Land Use Policy Changes.*** In terms of decreasing housing costs, the Housing Action Plan focuses on the City's role in regulating land use and the potential impacts of that role on housing costs. Through policies and programs that support increased densities and changes in design standards, the Action Plan encourages changes in City policies that will reduce the costs of housing construction in Merced.
- ***Affordable Housing Ordinance.*** The Action Plan sets forth a policy and conceptual framework for encouraging the construction of affordable units through regulatory incentives. Acknowledging the economic effects of City land use policies, the Affordable Housing Ordinance would provide "compensation" in the form of density bonuses, fee deferments or even low-interest financing to developers that guarantee a percentage of units affordable to low and moderate income households.
- ***Joint Development Agreements.*** This Action Plan policy will support and fund City staff efforts towards working with private developers to construct affordable housing. Through creative, joint development projects, the City will be able to leverage use of its funds for the development of new affordable housing units. Monies used in such projects might be targeted towards land acquisition or write-down, equity participation or low-interest financing. In return, the City would receive affordability guarantees. This will be an important mechanism for encouraging new construction of multi-family units and housing to meet special needs.
- ***Second Unit Construction.*** The construction of second units can be an effective, low-cost strategy for responding to the affordable housing needs of smaller households. Because there are no land costs and because utilities are already provided on-site, units can be constructed relatively inexpensively. The Housing Action Plan suggests a change in second unit occupancy requirements in the City's zoning ordinance to make the construction of second units more attractive to existing homeowners.
- ***Housing Rehabilitation.*** Rehabilitation is an important strategy for maintaining the City's existing stock of affordable housing. The Action Plan continues and expands the City's Rehabilitation Loan Program to support this important activity.
- ***Downpayment Assistance.*** To assist low and moderate income households in becoming homeowners, the Housing Action Plan sets forth a policy and conceptual framework for establishing a downpayment assistance program. Assistance would be provided to eligible first-time homebuyers in the form of a low or no interest loan to be paid back over the course of several years or at the time of resale.

- **Rental Assistance.** Action Plan Policy C-3 supports the exploration of a rental assistance program to help meet the needs of Merced's lowest income households. Working in conjunction with other local assistance programs, this policy would target some local monies to help meet funding gaps from federal programs aimed at meeting the community's most difficult housing need.
- **Community Affordable Housing Fund.** This new City fund would provide a central depository for affordable housing funds. Overseen by the Affordable Housing Task Force and the City Council, these funds would be used to support joint development activities and other special programs or activities aimed at meeting affordable housing needs.

Implementation: Acting on the Action Plan

The Housing Action Plan provides a structure and direction for responding to Merced's housing needs. However, the true creativity and strength of the Plan will be in its implementation.

The Implementation Matrices, presented in the final pages of the document, provide a summary of implementation responsibilities and funding allocations for the first year of the Plan. These figures are based on anticipated funding of \$1.1 million (\$600,000 from CDBG funds and \$500,000 from redevelopment set-aside funds).

The Matrices also provide a summary of "objectives"—i.e., the number of units anticipated to be constructed or rehabilitated and the number of households anticipated to be assisted. In the five-year timeframe, the Plan anticipates the construction of 640 new housing units affordable to low and moderate income households, the rehabilitation of 325 units, and assistance provided to 325 households.

Looking Beyond Year One

The Housing Action Plan is a start, not an end. It is intended as a "living" document that will change in response to the changing housing needs of Merced. As policies and programs are pursued and implemented, the Plan will be refined, revised and redirected.

It is, however, an important and valuable beginning that represents a new level of commitment on the part of Merced residents, city staff and elected officials towards meeting the need for affordable housing in their community.

CONTENT

Executive Summary

- I. Introduction and Overview, *page 2*
- II. Glossary of Terms, *page 3*
- III. Housing Background, *page 7*
- IV. Goals, Policies and Programs, *page 32*
- IV. Quantified Objectives, *page 62*
- VI. Implementation Matrices, *page 63*

I. Introduction and Overview

The *City of Merced Housing Action Plan, 1992-1997* will provide strategic direction for the City of Merced's housing programs and related efforts. The Plan is based on the goals and priorities of the Affordable Housing Task Force, convened by the City to provide direction and oversight for the Plan's development. The Task Force includes city residents, service providers, realtors, contractors and representatives from County agencies.

The Action Plan is the strategic document for both the City's Housing Element and Comprehensive Housing Affordability Strategy (CHAS), which meet State and Federal requirements, respectively. Together, these three documents direct City efforts to provide and maintain a high-quality stock of housing that is affordable to Merced residents and responsive to their needs.

The Housing Element

As part of the City of Merced's General Plan, the Housing Element ensures that housing needs are considered and responded to in long-range planning efforts and that those efforts are coordinated with efforts in other areas (e.g., transportation, economic development, open space, etc.). It also responds to the State's requirements for housing and long-range planning as administered through California's Department of Housing and Community Development.

The Comprehensive Housing Affordability Strategy (CHAS)

Mandated by the federal department of Housing and Urban Development (HUD), the Comprehensive Housing Affordability Strategy (CHAS) is required for obtaining any federal money to support local housing efforts. The CHAS replaces previous HUD-required documents and, like the Housing Element, will be guided by the Housing Action Plan.

Issues in Affordable Housing Document

This document provides background information for the Housing Action Plan, the Housing Element and the CHAS. It provides an overview and summary of housing issues being faced in the City from both quantitative and qualitative perspectives.

II. Glossary of Terms

Following are definitions for important terms used in the Action Plan:

Affordable Housing. This is a popular term that is often misunderstood. Many people think it refers only to low income housing. However, in technical terms, it can refer to nearly any unit of housing. "Affordable housing" refers to the relationship between the price of housing (either sale price or rent) and household income. A \$500,000 home is "affordable housing" for households making \$200,000 per year. However, it would not be affordable housing for the vast majority of households in Merced. In terms of the Affordable Housing Action Plan, "affordable housing" refers to housing units that are affordable to households of very low, low and moderate incomes.

Affordability. There are two factors affecting affordability for housing: the price of housing and household income. The common standard is that households should spend approximately 30 percent of their income on housing. That can vary, however, according to household size. Large households face higher costs for other items (e.g., food, childcare, insurance, etc.), and therefore cannot afford to spend as much on housing).

Income Categories. The federal and state governments require that local jurisdictions consider the housing needs of households in various "income categories." Income categories are determined by household income in relation to the median household income at the local level. In cities such as Beverly Hills, where incomes (in general) are quite high, an annual household income of \$40,000 might be considered "low income." In Merced County, the median household income in 1990 was estimated at \$25,540 (National Planning Data Corporation).

Very Low Income. Very Low Income households are defined as households with incomes less than 50 percent of the county median. In 1990, a very low income household in Merced made less than \$12,770 (estimate). There were 4,040 such households in the city that year.

Low Income. Low Income households are defined as households with incomes between 50 percent and 80 percent of the county median. In 1990, a low income household made between \$12,770 and \$20,430 (estimate). There were 2,740 such households in the city that year.

Moderate Income. Moderate Income households are defined as households with incomes between 80 percent and 120 percent of the county median. In 1990, a moderate income household made between \$20,430 and \$30,650 (estimate). There were 3,145 such households in the city that year.

Above Moderate Income. Above Moderate Income households are defined as households with incomes over 120 percent of the county median. In 1990, an above moderate income household made more than \$30,650 (estimate). There were 8,230 such households in the city that year.

Below Market Rate (BMR) Unit. A Below Market Rate (BMR) unit is a housing unit that sells or rents for less than the going market rate. It is typically used in reference to housing units that are directly or indirectly subsidized in order to make them affordable to very low, low or moderate income households. If units can be provided by the market at rates affordable to lower income households, then BMR units become unnecessary.

Subsidized Units and Section 8. "Subsidized units" typically refers to units that rent for less than the market rate due to a direct financial contribution from the government. Section 8 is a subsidy program funded by the federal government and overseen by the County Housing Authority to provide low rents and/or housing payment contributions for very low and low income households.

Zoning. Zoning is an activity undertaken by local jurisdictions to direct and shape land development activities. The intent of zoning is to protect the public health and safety by ensuring that incompatible land uses (e.g., a school and an oil refinery) are not located next to each other. Zoning also impacts land values, creating and taking away "capital" for and from property owners. For example, a lot that is zoned for commercial development is more valuable (in financial terms) than a lot that is zoned for open space. Typically, lots that are zoned for higher densities have greater value on the market than lots that are zoned for lower densities. Zoning is one of the most important regulatory functions performed by local jurisdictions. The City of Merced's zoning is set forth in its Zoning Ordinance and Zoning Map.

The General Plan. The State of California requires that every city and county have a "general plan." This plan sets forth long-term goals, objectives and policies that will guide the community's physical development. By law, a general plan must contain seven "elements," or parts of the plan that address different issues. Those required elements are land use, circulation, housing, conservation, open space, safety, and noise. The City of Merced's General Plan contains these seven elements plus an additional 10 "optional" elements (e.g., recreation, transit and community design, among others). The various elements affect one another and, therefore, must be compatible. For example, the Land Use Element (which guides zoning decisions in the city) will determine where new housing is built as well as the type and density of that housing.

Density. This refers to the number of housing units on a unit of land (e.g., ten units per acre). In the City of Merced, the lowest density residential zoning is "R-1;" it allows a maximum of 1 housing unit per 6,000 square feet (although exceptions have been made in the past to allow 1 unit per 5,000 square feet). The highest density residential zoning, R-4, allows 1 unit per 1,000 square feet. The majority of the City of Merced is zoned for low density residential development.

Residential Planned Development (RPD) Zoning. This is a zoning designation designed to provide greater flexibility in project design and review than is typically possible under "traditional" zoning designations (e.g., R-1). RPD zoning is often used to achieve clustered housing design (resulting in more open space) and mixed use development patterns (helping reduce reliance on the automobile). RPD and similar zoning designations have become increasingly popular in cities throughout the country as a means of achieving community design and development goals.

Mixed Use. This refers to different types of development (i.e., residential, retail, office, etc.) occurring on the same lot or in close proximity to each other. Most European and many older American cities have large areas of mixed use development, with housing typically located above store fronts on main streets. Mixed use has become popular in the U.S. in the last ten years as a strategy for decreasing dependence on the auto and revitalizing retail and business districts.

Lot Coverage, Set Backs and Height Restrictions. These requirements determine the size and placement of buildings on their lots. They are set forth in the City's Zoning Ordinance and vary for each zoning district. Lot coverage is typically stated as a percentage and refers to the lot area that may be covered by the building. A 5,000 square foot lot with a 50 percent maximum lot coverage can have a building occupying 2,500 square feet of the lot area. Set Backs prescribe the minimum distance between the front property line and the housing structure while Height Restrictions prescribe the maximum height of the structure. Together, these restrictions control the size and placement of a building on a lot.

Second Units. Also referred to as "inlaw apartments" or "granny flats," Second Units provide a second housing unit on the same lot as a single family home. Second Units are allowed only in R-1 zoning districts and must comply with a number of requirements, including that the principal or second dwelling unit be owner-occupied, that the second unit not be larger than 600 square feet (with maximum occupancy of two people) and that the unit have its own entrance.

Substandard Housing. This refers to housing where major repair or replacement may be needed to make it structurally sound, weather-proofed and habitable.

Emergency Shelters and Transitional Housing. These are two types of housing specially designed to meet the temporary needs of homeless families and individuals. An "Emergency Shelter" is a facility designed to provide free temporary housing on a night-by-night basis to homeless families and individuals. "Transitional Housing" provides longer term accommodations (often for a span of several months) to homeless families and individuals. This provides a stable living environment for the period of time necessary to learn new skills, find employment and/or develop a financial base with which to re-enter the housing market.

III. Background Data

Following is a summary of important background information on housing issues and trends in the City of Merced. This information is taken from a document titled *Issues in Affordable Housing*, which describes past trends, present conditions and projections regarding housing conditions, market activity and Merced's socio-economic profile. Copies of *Issues in Affordable Housing* are available from the City's Housing Program.

Regional Context

The City of Merced is located in the fast-growing San Joaquin Valley. From 1980 to 1990, the population of Merced County grew by nearly 44,000 people (from 134,500 in 1980 to 178,400 in 1990), a 32 percent growth rate during that ten-year period.

The past two decades have seen the Valley area change from an agricultural economy to a mixed economy in which manufacturing is playing an increasingly important role along with government, retail trade and service industries.

In addition, the Valley's residential mix has diversified to include a substantial number of people who commute to work outside the County (approximately 11,000 in 1990).

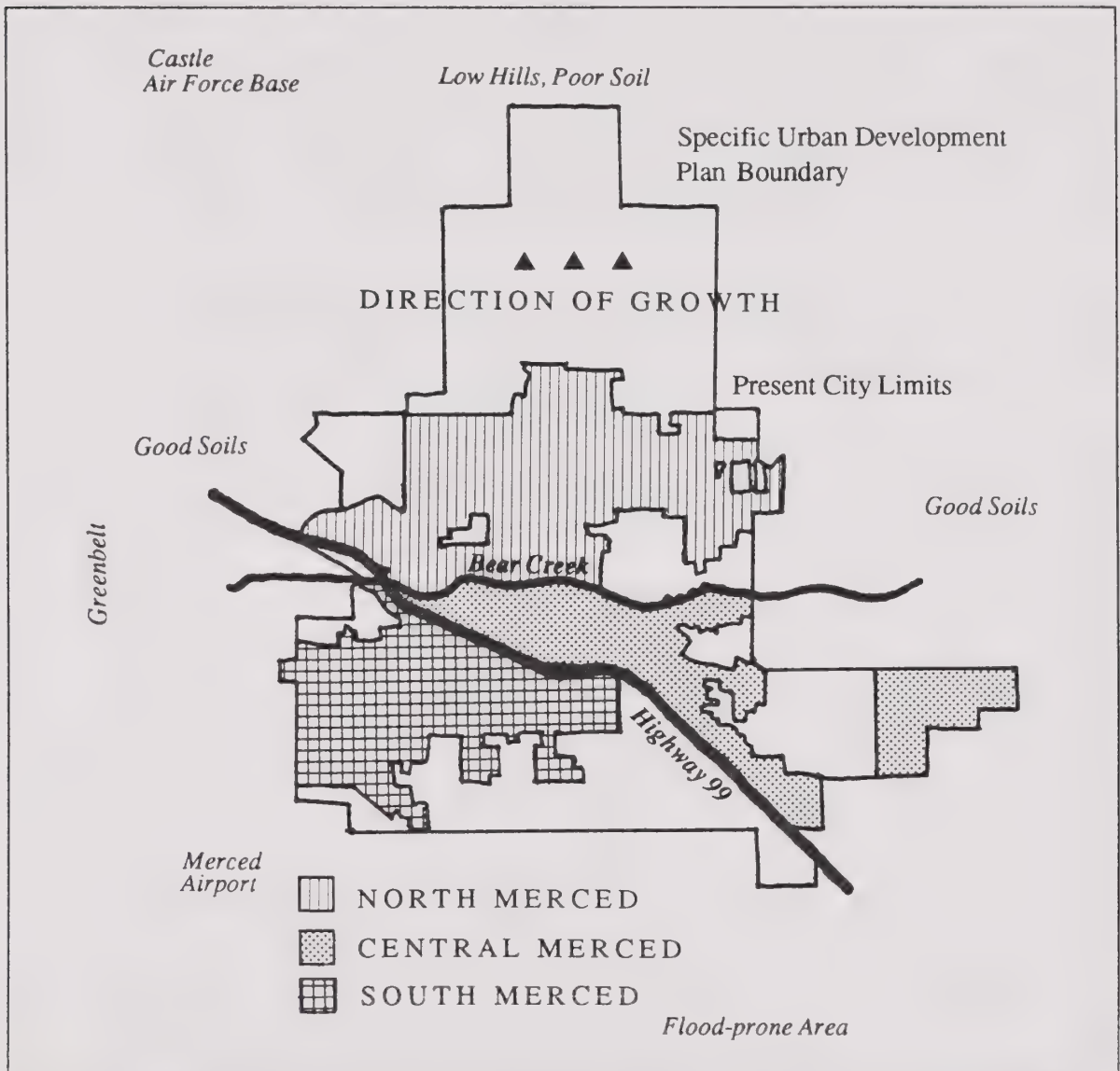
These regional trends of increasing population, diversifying (and growing) employment opportunities and increasing out-commuting all contribute to the demand for housing in the City of Merced.

Physical Character

Merced covers approximately 15.5 square miles of relatively level ground traversed by four creeks. The most substantial of these, Bear Creek, separates North Merced from Central Merced, the location of Merced's redeveloping downtown and many historical buildings. South of downtown is State Highway 99 and South Merced, where many of the city's lower income residents live.

Most of the city's growth of the past ten years has occurred in the North Merced area. Constraints (see map on the following page) have limited growth in Central and South Merced. These constraints include prime agricultural lands to the east and west, flood-prone lands to the south, the Merced Airport clear zone in the southwest corner of the city, and the City/County agreed upon greenbelt, also to the west.

Note: Much of the following data is presented by geographic area, corresponding to the map below. North Merced includes census tracts 10, 11 and 12; Central Merced includes tracts 13, 14, 17 and 18; South Merced contains tracts 15 and 16.



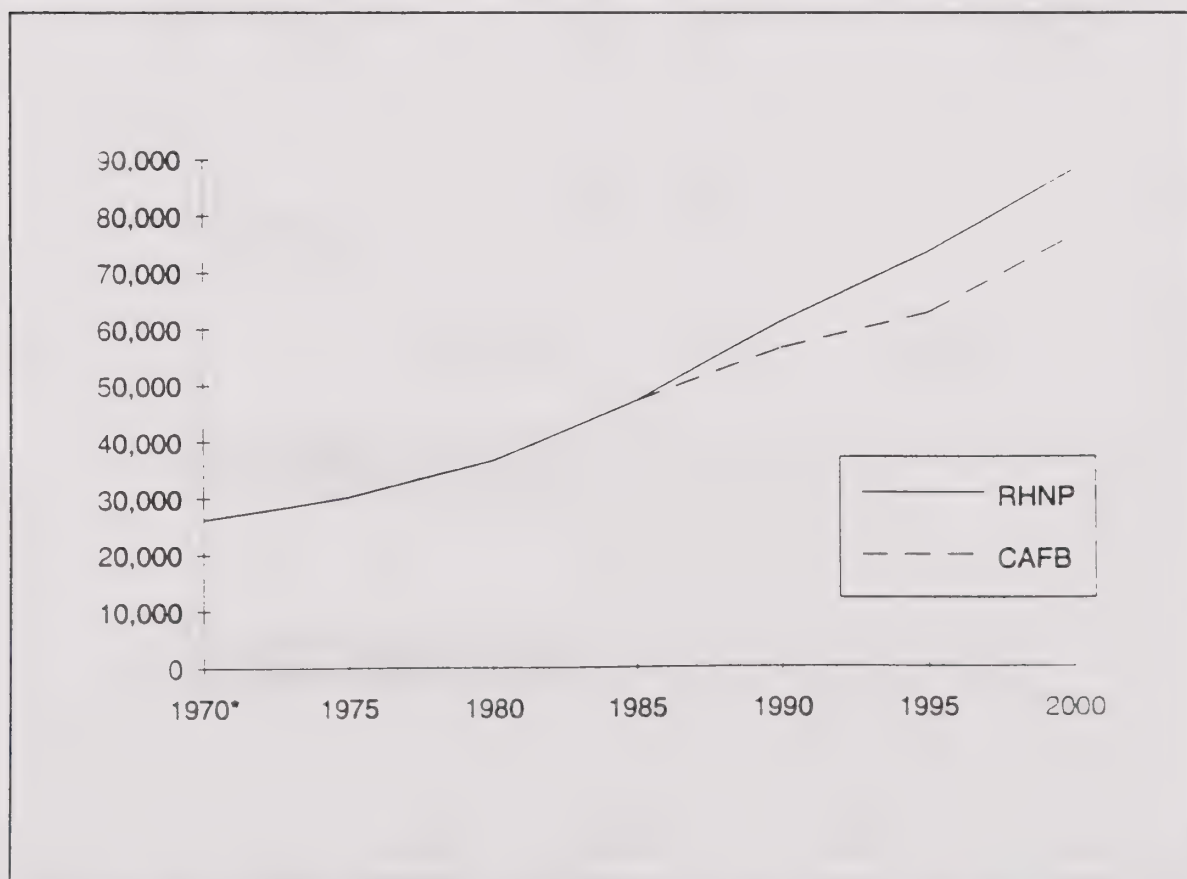
Merced is physically divided into three geographical "districts"—North Merced, Central Merced and South Merced. Due to physical constraints, most of the city's growth has been, and will continue to be, directed to the north.

Current and Projected Population

The 1990 census counted 56,216 people in the City of Merced, a 54 percent increase over the 1980 population of 36,499.

That population is expected to grow substantially in the coming five years, although estimates vary. The projected 1997 population is 81,600 (a 9 percent annual growth rate), as indicated in the Regional Housing Needs Plan of 1991. However, since the writing of that report, closure of nearby Castle Air Force Base was announced. A more recent projection, from a base closure impact report produced by the County, shows a 1997 population of 67,439 (a 4 percent annual growth rate). Those two projections are illustrated in the graph below.

Due to State housing law, which requires consistency between the figures in the Regional Housing Needs Plan and the City's Housing Element, the higher figures are presently guiding the City's planning efforts (although the potential impacts of the base closure will be kept in mind).



City of Merced population growth, 1970 through 2000 as projected by the Regional Housing Needs Plan of 1991 (RHNP) and the base closure impact report (CAFB).

*1970 figures are from a special census recount conducted in 1971.

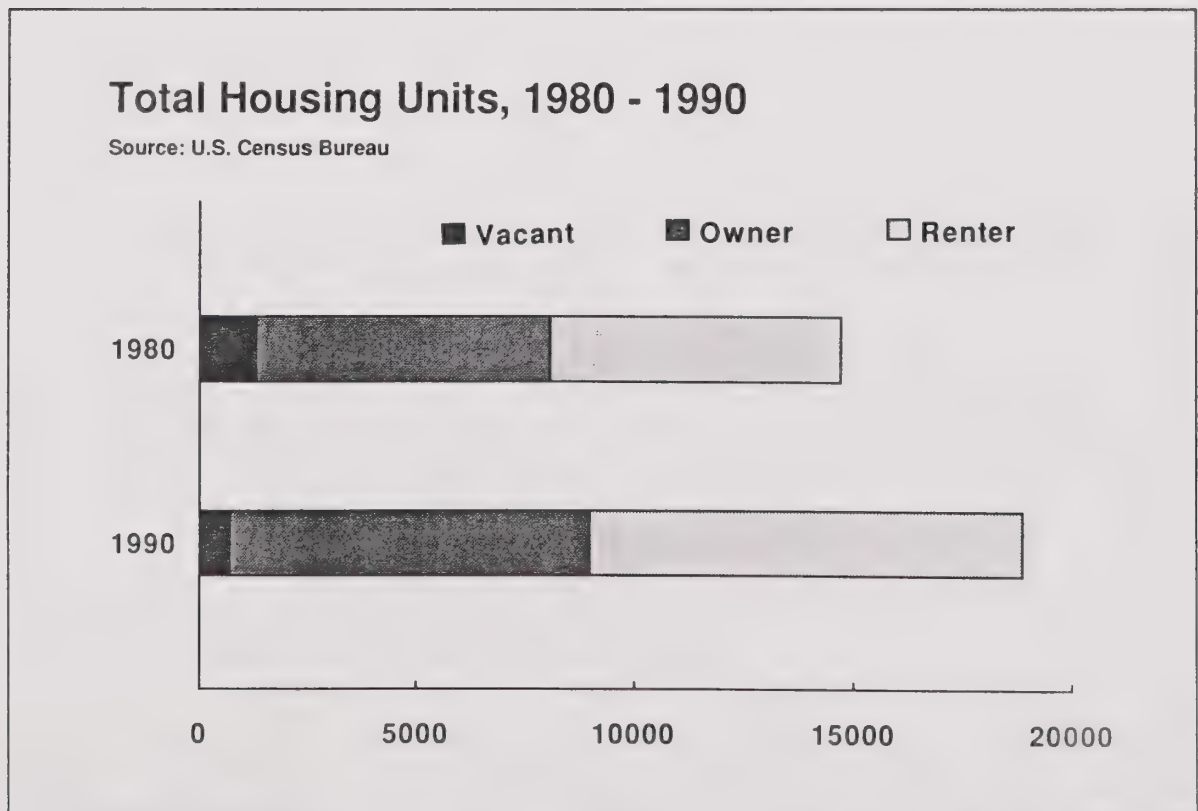
Trends in the Supply of Housing, 1980 - 1990

The number of housing units in Merced increased 28 percent in the 1980s to a total of 18,848 units in 1990.

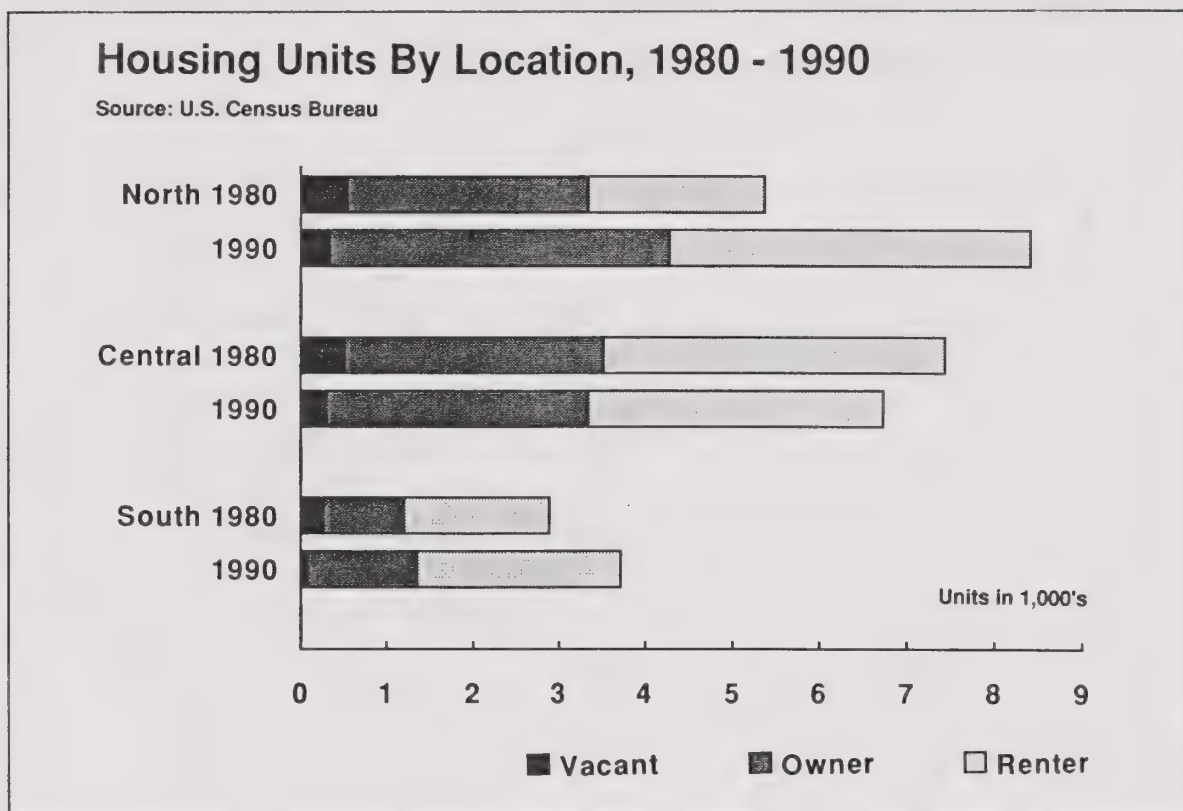
Citywide, the largest increase was in the number of renter-occupied units. From 1980 to 1990, the number of renter-occupied units grew from 6,623 to 9,877, an increase of 49 percent. The rate of increase for owner-occupied units was 22 percent.

By area, the largest increase in number of units was in North Merced, where more than 3,000 new units were added (representing a 57 percent increase). The smallest increase was in Central Merced (300 unit increase) while in South Merced the number of units increased 29 percent (630 units) to a total of 3,700 units.

One of the most interesting trends was the dramatic decrease in the vacancy rate citywide (9 percent in 1980 to 4 percent in 1990). This trend was particularly significant in South Merced where the vacancy rate dropped from 9 percent in 1980 to 2 percent in 1990. This trend is discussed in detail in *Vacancy Rates*.



Total housing units in Merced, 1980 and 1990 (Source: U.S. Census Bureau).



Housing units in Merced by area, 1980 - 1990 (Source: U.S. Census Bureau).

New Housing Authorizations, 1980 - 1990

The past ten years have witnessed the dual trends of **increasing construction of single family homes** and **decreasing construction of multi-family units** (apartments and condominiums).

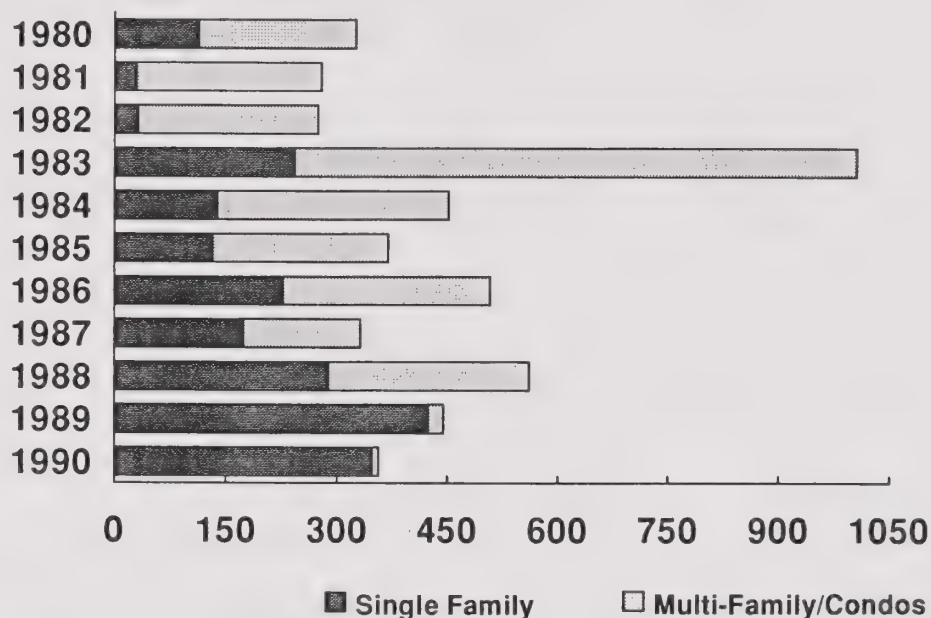
The decrease in multi-family unit construction is due, in part, to the tax law changes of 1986 that ended investment incentives for multi-family projects. As a result, it has been difficult in recent years to show a profit on multi-family rental projects due to construction costs and rent levels.

Between 1980 and 1990, the City of Merced approved building permits for the construction of **2,146 single family homes** and **2,749 multi-family units** (including condominiums), for a total of 4,895 new units.

Based on these figures and the owner/renter breakdowns for 1980 and 1990, it seems that the number of single family homes occupied by *renters* has increased in the past ten years.

New Housing Authorizations, 1980 - 1990

Source: City of Merced



The above chart illustrates the number of single family and multi-family units which were granted building permits in the City of Merced between 1980 and 1990 (Source: City of Merced).

[NOTE: The discrepancy between the total authorizations between 1980 and 1990 and the increase in housing units reported in the census is attributed to the fact that not all authorized units were completed by the time of the census.]

Housing Mix and Distribution

The figures reported in this document illustrate an imbalance in the mix and distribution of housing (and households) in Merced. **For nearly every measure—household income, housing conditions, overpayment, overcrowding, etc.—South Merced is "worse off" than the rest of the city.**

The tables and graphs presented here show the distribution of homes by value (for owner-occupied units) and rent (for renter-occupied units) in 1990. As can be seen, the vast majority of homes in South Merced are valued at less than \$100,000; the weighted median rent is \$320 compared with \$372 citywide.

The Action Plan aims to address the issue of housing mix and distribution—what types and costs of units should be encouraged where. However, in addition to consideration of a **desired "social mix,"** the city's housing policies also give consideration to **the cost of land and its impact on the cost of housing.**

Housing Value by Location, 1990

	North	Central	South	Total
\$300K+	30	34	1	65
\$200-300K	132	60	9	201
\$150-200K	410	117	13	540
\$100-150K	1636	392	79	2107
\$50-100K	1252	1846	814	3912
<\$50K	42	145	242	429

Source: 1990 U.S. Census

Housing Rents by Location, 1990

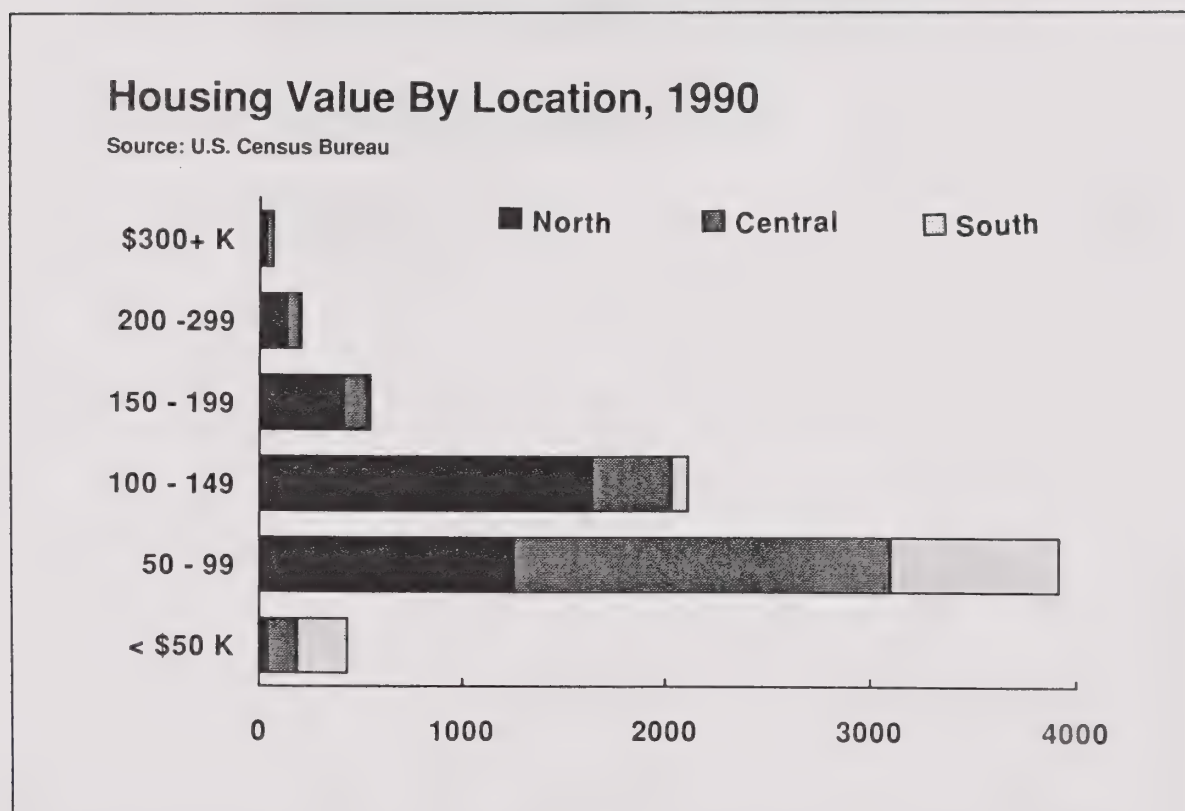
	North	Central	South	Total
\$750+	173	15	7	195
\$500-750	920	355	161	1436
\$350-500	2235	1023	717	3975
\$250-350	546	1347	676	2569
<\$250	222	590	737	1549

Source: 1990 U.S. Census

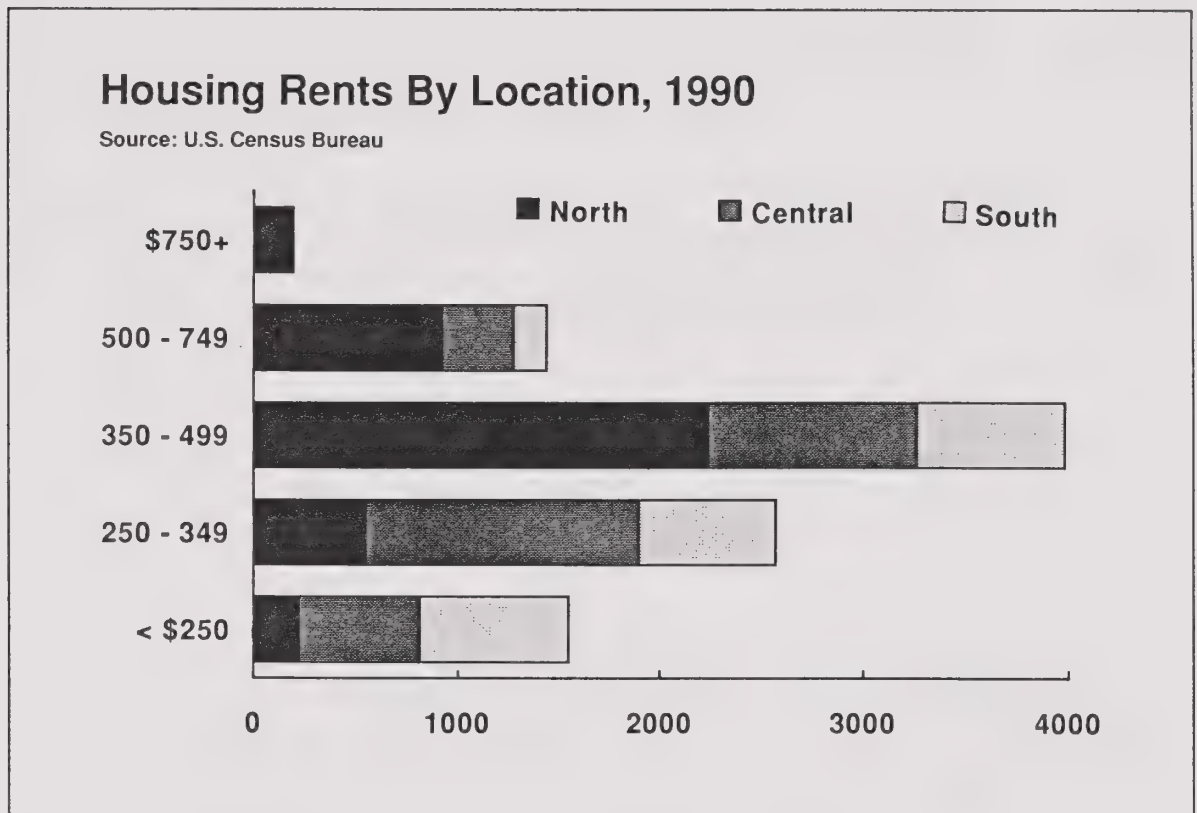
Median Values and Rents by Location, 1990

	Median Value	Median Rent
<i>North</i>	\$111,804	\$424
<i>Central</i>	\$ 80,508	\$331
<i>South</i>	\$ 65,722	\$320
<i>Citywide</i>	\$ 91,850	\$372

Source: 1990 U.S. Census; medians are weighted calculations from medians of each tract.



The chart above illustrates the 1990 distribution of housing values by city location.



The chart above illustrates the 1990 distribution of rents by city location.

Present Housing Conditions

The City conducted a **housing conditions survey** in the Fall of 1991. The table and map that follow illustrate the areas surveyed and the number of units in need of rehabilitation or demolition.

The house-to-house windshield survey considered the condition of each dwelling unit in terms of its foundation, roofing, siding, windows and exterior doors. Indoor conditions are not reflected in the survey figures. Based on staff observations, dwellings were scored and categorized as follows:

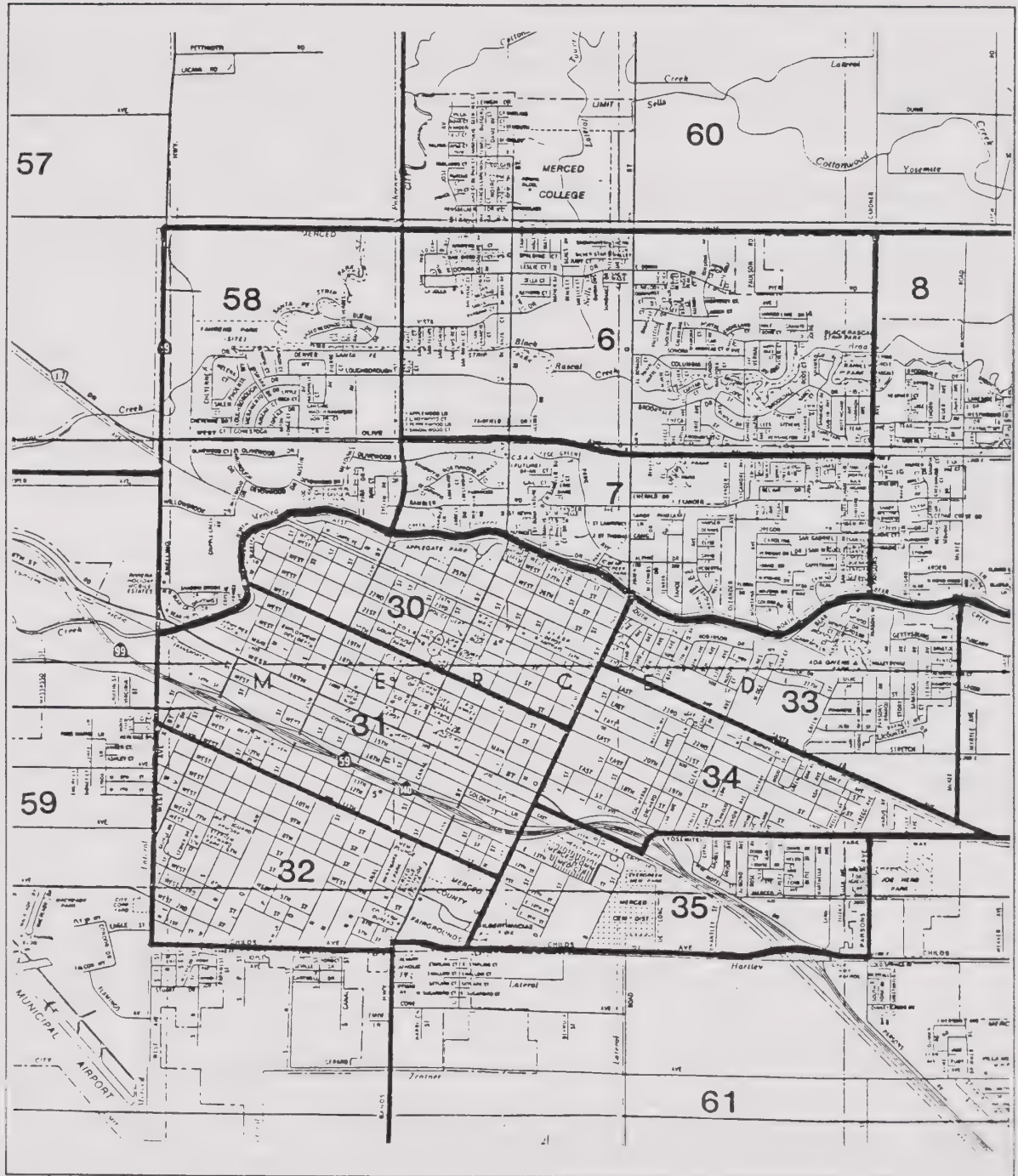
- **Moderate (Mod.)**
Moderate repair may be needed.
- **Major**
Major repair or replacement may be needed.
- **Demolition (Demo.)**
Replacement is needed.

According to the survey results, there are **over 300 housing units in Merced in need of major repair or replacement**. Most of these units are located in Central and South Merced, primarily in the areas near Highway 99. **Nearly 1,200 units are in need of moderate repair**. In total, the survey identified more than 8 percent of the city's housing stock as in need of some repair or replacement.

Housing Conditions by Area, 1991

Area	Mod.	Major	Demo.	Total
6	14	0	0	14
7	2	0	1	3
30	174	17	18	209
31	262	67	67	396
32	340	27	26	393
33	55	1	0	56
34	264	37	19	320
35	86	12	13	111
<i>Total</i>	1197	161	144	1502

Area designations refer to the map on the following page (Source: City of Merced).



The map above illustrates the area designations (corresponding to city lot numbers) used in tabulating the results of the housing conditions survey.

Vacancy Rates

Vacancy rates provide a quantifiable measure of housing demand. The rule of thumb is that a 4.5 percent to 5 percent vacancy rate indicates a good balance of supply and demand in the housing market.

Vacancy rates in Merced have dropped dramatically in the past ten years, from 9 percent in 1980 to 4 percent, citywide, in 1990. This rate is even lower in the South Merced area, where the 1990 census reported a 2 percent vacancy rate.

In the past year, the vacancy rate has dropped even lower, according to professionals in the city's real estate market. Many estimate the current vacancy rate for rentals in South Merced near zero percent. A search of *HomeFinders* (a rental listing agency) and the classified section of the *Merced Sun-Star* on November 1, 1991, confirmed these perceptions (*HomeFinders* listed only 3 units available in South Merced compared to 134 units in North Merced).

This critical situation may be attributed to a number of factors, including the impending closure of Castle Air Force Base. Families from the base who would normally buy a home in the Merced market are now renting because they will soon be restationed. This demand on the rental market is in addition to demand resulting from a soft buyers market (due to the recession, many people are not buying at this time) and an increasing number of households in the low and very low income categories. These demand factors coupled with relatively stagnant growth in development of new multi-family rental housing have created excess demand in relation to supply.

This situation will likely be alleviated (at least in the short term) subsequent to the base closure and the end of the recession. However, unless the development of new multi-family rental housing increases over levels of the past two years, the vacancy rate will likely remain abnormally low for rental units.

Vacancy Rates, 1980 and 1990

Area	1980	1990
North	10%	4%
Central	8%	4%
South	9%	2%
Citywide	9%	4%

Source: U.S. Census Bureau

Overcrowding

An overcrowded unit is defined as a housing unit with 1.01 persons or more per room. The table below shows the number of overcrowded units in Merced in 1980 and 1990.

The number of overcrowded units as a percentage of total units in the city increased substantially in the 1980s. This increase was particularly significant in South Merced, where 43 percent (1,569) of the units were overcrowded 1990. Of these South Merced units, 992 (more than 60 percent) were renter-occupied units with more than 2.01 persons per room (indicating extreme overcrowding).

Overcrowding is almost always directly related to housing affordability. A household that cannot afford housing based on its own income may "team up" with another household, combine incomes, and thereby be able to afford a housing unit. Quite typically, such households are composed of related individuals, living together in an extended family situation.

In some circumstances, households choose to live together in extended family situations regardless of income and housing costs. Such decisions are usually based upon cultural attitudes and norms. In the United States, it was once quite common for extended families to live together. Today, while it is no longer "mainstream" to live in large families, it is a tradition that remains strong in some communities. In these communities it may be important to provide housing units that respond to the needs of extended family living situations, thereby avoiding the creation of overcrowded housing units.

Overcrowded Units (>1.01 Persons per Room)

	1980		1990	
	#	% of Total	#	% of Total
<i>North</i>	85	2%	447	5%
<i>Central</i>	275	5%	1071	17%
<i>South</i>	605	23%	1569	43%
<i>Total</i>	965	7%	3087	17%

Source: 1980 and 1990 U.S. Census.

Current and Projected Income Distributions

The following tables present the distribution of households in Merced by income category. The figures are estimates based on data from the Regional Housing Needs Plan and the National Planning Data Corporation (NPDC). Income data from the 1990 census is not yet available.

Income distributions are calculated based on percentages of the county median income. Median income is the point at which 50 percent of the households in the county have a higher income and 50 percent have a lower income. It is *not* an average of all incomes in the county. Income categories are defined as:

Very Low:	<i>50 percent or less of median income.</i>
Low:	<i>51 to 80 percent of median income.</i>
Moderate:	<i>81 to 120 percent of median income.</i>
Above Moderate:	<i>120+ percent of median income.</i>

The county median income in 1979 (from 1980 census information) was \$14,698. Estimates from NPDC for 1990 and 1997 show the median increasing to \$25,541 and \$30,660, respectively.

While the number of households in the Low and Very Low income categories grew by over 1100 households in the 1980s (to a total of nearly 6,800 in 1990), **the highest rate (51 percent) and greatest volume increase (2770 households) was in Above Moderate income households.**

South Merced has a disproportionate number of households in the Low and Very Low income categories. In 1979, 60 percent of the households in South Merced were Low or Very Low income compared to 42 percent citywide. **In 1997, an estimated 67.5 percent of South Merced's households will be Low or Very Low income, compared to 43 percent citywide.**

Detailed breakdowns of income by type of household are not yet available from the 1990 census. They will be included as they become available.

Estimated 1990 Income Distribution by Area

	Very Low	Low	Mod.	Above Mod.	TOTAL
<i>North</i>	1200	970	1311	4420	7901
<i>Central</i>	1416	1042	1185	3070	6711
<i>South</i>	1424	727	647	741	3537
Total	4042	2739	3143	8230	18,154

Estimated County Median Household Income: \$25,541

Estimated 1997 Income Distribution by Area

	Very Low	Low	Mod.	Above Mod.	TOTAL
<i>North</i>	1707	1756	2376	5393	11,232
<i>Central</i>	2192	1961	2150	3531	9834
<i>South</i>	2568	1403	1132	776	5879
Total	6467	5120	5658	9700	26,945

Estimated County Median Household Income: \$30,660

Housing Cost Burdens

Households experience excessive housing cost burdens when they pay more than 30 percent of their income on housing (including utilities).

The tables below summarize the number of owner and renter households in Merced that may be paying greater than 30 percent of their gross household income on housing. In all, nearly 20 percent of all owner households and nearly half of all rental households may be paying greater than 30 percent of their income on housing, demonstrating the large gap that exists for many households in Merced between household income and housing costs.

[NOTE: The figures for 1980 are from the U.S. Census; 1990 figures are estimates based on 1990 housing figures and 1980 percentages. Census data on overpayment in 1990 will not be available until 1992. It is most likely that the numbers shown are underestimates, particularly in the South Merced area.]

Households Paying >30% of Income on Housing

Households w/ Owner Costs >30% of Income			
Area	1980	% of Total	1990
North	589	23%	908
Central	363	14%	426
South	204	25%	321
Total	1156	19%	1655

Households w/ Renter Costs >30% of Income			
Area	1980	% of Total	1990
North	963	48%	1983
Central	1352	47%	1592
South	801	48%	1131
Total	3116	48%	4706

Source: 1980 and 1990 U.S. Census

Special Needs Populations

Large Households

Large households need large homes. In Merced, the 1990 Census counted 3200 households in Merced with 5 or more persons, representing nearly 18 percent of all households in the city. Of these households, 67 percent (2147) are renters.

Although the census also counted approximately 9850 units in Merced with 5 or more rooms (indicating that units exist to meet the needs of large families), these large units are unaffordable to many of the households who need them.

Cross-tabulations of income, housing cost and unit size are not yet available from the 1990 census. However, there are several indicators to consider. Interview results indicated general agreement among many in the community that there is a shortage of large, affordable units, both for sale and rent, to meet the needs of large households. These perceptions were reinforced by findings from reviews of *Home Finders* listings and classifieds in the *Merced Sun-Star* on November 1, 1991. *Home Finders* showed only five 4-bedroom housing units available in Merced, all of which were located in North Merced and had a median rent of \$800. The service showed only 4 units available in South Merced, none of which had four or more bedrooms. The *Sun-Star* showed many 4-bedroom units available in North Merced, but none in South Merced (though many did not list addresses).

These indicators coupled with the very low vacancy rate for rentals in South Merced and the growing percentage of large families who rent rather than own indicates that there is a (perhaps severe) affordability gap for large households in need of large housing units. This affordability gap contributes to the growing number of overcrowded units in Merced.

Farmworkers

Agriculture is the largest industry in Merced County, employing a monthly average of 11,850 individuals in 1990 (accounting for 21 percent of employment in the County that year). If we assume a distribution of farmworker population in accordance with overall population distribution in the County, we can estimate a monthly average of 3,500 farmworkers residing in the City of Merced.

The seasonal nature of agricultural employment places special demands on the area's housing stock—i.e., it must absorb seasonal fluctuations in the number of individuals and families seeking housing. In 1990, monthly agricultural employment fluctuated between approximately 7,000 (Feb.) and 16,700 (Sep.),

representing a **potential migrant farmworker population of 9,700 wage-earners plus their families**. This represents a maximum potential, however, since seasonal labor can also be drawn from the county's year-round population.

There are **5 State Migrant Centers** in Merced County, i.e., housing units that are constructed and managed by the State, through the County Housing Authority, to house migrant farmworker families. These centers are located in Merced, Los Banos, Cortez, Atwater/Livingston, and Planada. In total, they provide 290 units for occupancy between the months of May and November. The Merced center has 50 units. In addition, there are **55 private farmworker camps** in the County that are licensed by the State. There are no accurate figures on the number of units provided by these camps, but it is certain that the total number of units available is considerably less (by thousands) than the number needed.

Given the circumstances of migrant farm labor, it is difficult to determine the full extent of unmet demand for farmworker housing. However, **at State Migrant Centers, 92 farmworker families were turned away** on opening day last year, representing 25 percent of those families seeking migrant housing at the centers. Manuel Castro of the California Office of Migrant Services says that based on his experience of the past twenty years, most families who are unable to obtain housing at the centers will seek shared housing with friends or relatives; virtually all are unable to afford market rents. This would help account for the **high occurrence of overcrowded units** in the city, particularly in South Merced.

The quantitative aspects of farmworker demand for housing is often overshadowed by the qualitative characteristics of the housing they occupy. Because most farmworker families have low or very low incomes, the segment of **the housing stock they occupy is typically substandard** (and as previously mentioned, overcrowded). Many farm labor camps consist of mobile homes, trailers, and literal "sheds" that are typically in substandard condition. The alleyways of South Merced give testimony to similar housing conditions.

Single Parent Families

In 1990 there were 3,573 single parent families in Merced, representing **20 percent of all households in Merced**. Seventy-seven percent of single parent families were headed by a female.

Single parent families have special housing needs. From an affordability point of view, they tend to have **lower incomes** and thus tend to experience **higher rates of housing overpayment** than other types of households. This is because single parent families are typically limited to a single income and must often shoulder the cost of childcare in order to participate in the workforce.

In 1980, the median income for female-headed households was \$9,985 compared to a median of \$20,040 for all families. Forty-two percent of all female-headed households had incomes under the poverty level that year; more than half of these had children under the age of six. Although percentages have not yet been reported for 1990, it is likely that they will be even greater.

Seniors

The number of individuals age 65 and over in the City of Merced grew from **3,381 in 1980 to 5,057 in 1990.** However, those numbers as a percentage of population remained relatively constant over the ten year period, remaining at approximately **9 percent of the population** in both 1980 and 1990.

The size of Merced's senior population will continue to grow (and will represent a much larger portion of the population) in the coming years. As it does, the demand for housing that responds to the needs of seniors will also grow.

The housing needs of seniors vary considerably with age and ability. For many, particularly in the lower age ranges, their housing needs do not differ from those of the general population. However, for those experiencing physical difficulties or limitations, there are particular needs that must be responded to in both the location and design of their housing. These needs might include being near shopping areas and other services, having access to skilled nursing facilities, and having housing units that are single-story or elevator-equipped. For frail elderly, there must be adequate spaces available in skilled nursing facilities. In 1990 there were 347 individuals in nursing homes in Merced.

The issue of affordability is of particular importance to most seniors because they must live on **fixed incomes.** As housing costs rise, the cost burden on senior households increases. In 1980, 271 individuals age 65 and over were living below the poverty level, representing 9 percent of all seniors.

Persons With Disabilities

It is difficult to quantify this group due to the broad nature of the term "disability." People with disabilities can include people with hearing and vision loss, people who have physical mobility problems and people who are learning, mentally and emotionally disabled. These groups account for nearly 37 percent of the American population. Other disabled groups include the 10 percent of the population who, on any given day, experience temporary disability (e.g., a broken leg) and 10 percent who are over the age of 65. In total, more than half of the American population is "disabled" on any given day.

If we apply these general percentages in Merced, **we can estimate a permanent "disabled" population of 20,800 individuals** plus the 5000 seniors discussed on the previous page.

In relation to housing, **people with disabilities have special needs related to design that vary according to the type and severity of disability.** Meeting these needs is difficult, however, when factoring in the issue of affordability. **People with disabilities often have limited incomes** as a result of difficulties in obtaining and retaining well-paying jobs due to discrimination and, in some cases, due to physical limitations; finding housing that is both design-responsive and affordable is often an impossible task.

Housing services for people with disabilities (mental, physical and developmental) are inadequate at present in Merced. In particular, there is need for supportive housing to serve persons returning to the community from mental care institutions.

Homelessness

There were 64 "homeless" individuals in emergency shelters in Merced during the 1990 census count. The census did not count any individuals in street locations.

It is likely that these figures are an undercount of the actual homeless population in Merced (1990 census figures for the homeless have been disregarded by many as a significant undercount). This is because of the difficulty in achieving an accurate "count" of homeless individuals and because of the many "hidden homeless" in Merced—people who are without homes of their own and are living in overcrowded units with relatives or friends rather than on the street.

The Emergency Shelter Program operated by the Merced County Housing Authority reported serving 597 adults and children in 162 families during the 12 month period between November 1988 and November 1989. It is likely that the number of families served by this program has grown in the two years since.

While "homelessness" is not currently perceived as a visibly critical issue by many, housing statistics for overcrowding and information from interviews with individuals providing services in the city indicate that **many people in Merced may be considered "hidden homeless."** In addition, the growing number of low and very low income households coupled with rising housing costs and a tight rental market means that **an increasing number of households in Merced are in danger of becoming homeless in the near future.**

At present, there is need for improved shelter and housing services for Merced's homeless population. While the City's Armory is opened by the State to provide shelter during the winter months, it is not available year-round. In addition, there is not, at present, a transitional housing facility to provide longer term, supportive housing for families and individuals who are homeless and trying to re-enter the housing and job markets. The City of Merced Affordable Housing Action Plan states the City's intention to work with other agencies in the City and County to develop both a permanent emergency shelter and a transitional housing facility to meet the needs of Merced's homeless population.

Housing Needs by Race and Ethnicity

The City of Merced has become increasingly diverse in the past ten years, and is likely to become increasingly more diverse in the coming ten years.

The table below shows 1980 and 1990 figures for Merced's various populations by race and ethnicity. While every group showed an increase in overall population during the past ten years, **the highest rate of growth by far was among Asians and Pacific Islanders, growing 1400 percent in the ten year period.** These figures reflect the large influx of Hmong and Laotian refugees into the City of Merced since 1980. In the 1990 census, 4,749 people in Merced identified themselves as Hmong and 1,688 identified themselves as Laotian. In addition, the number of people identifying themselves as "other" soared from 56 in 1980 to 8,570 in 1990. It is likely that many of these people would fall into the Hmong or Laotian categories.

The second fastest growing racial group in Merced during the 1980s was people of Hispanic origin, growing at a rate of 63 percent, while the White population grew at a rate of 53 percent.

1980 and 1990 Population by Race and Ethnicity

	1980 pop.	1990 pop.	% change
<i>White</i>	22,613	34,675	53%
<i>Black</i>	2,647	3,860	46%
<i>Hispanic</i>	10,289	16,786	63%
<i>Native American</i>	324	522	61%
<i>Asian/Pac. Islander</i>	570	8,564	1,402%
<i>Other</i>	56	8,570	15,203%
Total	36,499	56,216	54%

Merced's current mix of race and ethnic groups makes it one of the most diverse cities in the country. It also has several important impacts on the local housing market.

Most importantly, **many Hmong, Laotian and Hispanic households fall into the moderate, low and very low income categories.** Thus, there is a higher degree of housing overpayment in these groups than there is among Whites. It is also more likely that households in these groups will require housing assistance, will live in substandard housing and/or will live in overcrowded conditions. Overcrowding, in particular, is a widespread problem among these groups due to large family size and the desire to live in extended family situations. The dominant pattern of housing construction in Merced, as in most of the U.S., does not respond to the needs of these families, and the few large homes that exist are typically out of these families' range of affordability.

In addition, **the majority of non-White households are concentrated in South Merced, where the cost of housing is lowest and the occurrence of substandard housing is the highest.** The City's Affordable Housing Action Plan has set a goal of achieving a more equitable mix of affordable housing throughout the City. However, it will be a difficult goal to achieve in light of land costs in the North Merced area. It is more likely that housing conditions for low income families in South Merced will be improved through the City's Housing Rehabilitation Program and new construction or rehabilitation that is designed to meet the needs of large families.

Housing Affordability

The tables below and on the following page help establish the relationship between household income and ability to pay for housing. The figures assume 30 percent of gross household income spent on housing. The factor of "2.5 x Income" is a rule-of-thumb for translating income into affordable home prices.

Household Incomes and Affordable Rents

Household Income	Annual Rent @ 30%	Monthly Rent @ 30%
\$10,000	\$3,000	\$250
\$12,500	\$3,750	\$313
\$15,000	\$4,500	\$375
\$17,500	\$5,250	\$438
\$20,000	\$6,000	\$500
\$22,500	\$6,750	\$563
\$25,000	\$7,500	\$625
\$27,500	\$8,250	\$688
\$30,000	\$9,000	\$750
\$32,500	\$9,750	\$813
\$35,000	\$10,500	\$875

Household Incomes and Affordable Home Prices

Household Income	Price @ 2.5 x Income	10% Down/ 90% Mortgage
\$10,000	\$25,000	\$2,500/\$22,500
\$12,500	\$31,250	\$3,125/\$28,125
\$15,000	\$37,500	\$3,750/\$33,750
\$17,500	\$43,750	\$4,375/\$39,375
\$20,000	\$50,000	\$5,000/\$45,000
\$22,500	\$56,250	\$5,625/\$50,625
\$25,000	\$62,500	\$6,250/\$56,250
\$27,500	\$68,750	\$6,875/\$61,875
\$30,000	\$75,000	\$7,500/\$67,500
\$32,500	\$81,250	\$8,125/\$73,125
\$35,000	\$87,500	\$8,750/\$78,750

Affordability by Area

The table below provides a general sense of housing affordability in each area of Merced. Based on median home prices and rents for each area and estimated income distributions, **the table shows the number and percentage of households that would not be able to afford the median priced home or rent** (assuming 30 percent of gross income spent on housing).

Not unexpectedly, **South Merced has the highest percentage of households unable to afford the median home prices and rents** in that area of the city (this fact is also reflected in figures for housing overpayment and overcrowding). For owner housing, 71 percent of the households in South Merced could not afford the downpayment and mortgage on a median priced home. **North Merced also shows a high percentage of households unable to afford the median priced home** in that part of the city.

Households Unable To Afford Median Housing Prices and Rents, by Area

	North	Central	South
<i>Median Home Price in Area</i>	\$111,800	\$80,500	\$65,725
<i>Required Income To Buy (@ 30%)</i>	\$44,720	\$32,200	\$26,300
<i># of Households Below Req. Inc.</i>	5030	3830	2526
<i>% of Households in Area</i>	64%	57%	71%
<i>Median Rent</i>	\$424	\$331	\$320
<i>Required Income To Rent (30%)</i>	\$16,960	\$13,240	\$12,800
<i># of Households Below Req. Inc.</i>	1758	1352	1359
<i>% of Households in Area</i>	22%	20%	38%

Barriers to Affordability

As the preceding tables illustrate, ability to pay for housing is directly linked to household income, and household incomes in Merced are often below the level necessary to afford the cost of housing in the City.

The gap between household incomes and housing prices can be bridged in two ways: increasing incomes or decreasing prices. The first approach is the most attractive, but also the most difficult. Increasing incomes requires the development of jobs and a vibrant economy. While there is some promise for both of these in Merced (at least in the not-too-distant future) and while it is likely that incomes will increase for many in the city, there will continue to be a significant number of households in the community that are unable to afford a safe and decent home.

The emphasis of the City of Merced Affordable Housing Action Plan, CHAS and Housing Element is on strategies for both decreasing the cost of housing in the City and improving the quality of the existing affordable housing stock. These strategies include a comprehensive review of City land use policies and their impact on the costs of housing construction, joint ventures between the City and private or nonprofit developers to leverage public funds for the construction of new affordable housing, and various financial strategies for reducing the costs of construction and mortgage financing for affordable housing projects and for low-income, first-time homebuyers.

While there is great hope for these efforts by the City and by other agencies at the County, State and Federal levels, it is unfortunately not realistic to assume that these efforts will rid the City of its present housing affordability problems. The City of Merced has, and will continue to have, a large population of lower income households, many who have special housing needs. While the City's efforts will help to alleviate the problem of affordability for many, it will persist as a problem in the community into the foreseeable future.

III. Goals, Policies and Programs

The following pages present the goals, policies and programs of the *Merced Housing Action Plan, 1992 - 1997*. These, together with Quantified Objectives (discussed in Section IV of this document), comprise the body of the Action Plan:

- **Goals** are the ideals the community is striving for, or the desired state of things. There are eight goals identified in the *City of Merced Housing Action Plan, 1992 - 1997*. They are organized into four "goal areas."
- **Policies** set forth the community's position on a particular issue or subject as related to each of the four goals.
- **Implementing Programs** are specific actions that the City or other identified entities will undertake to address policy issues and move closer to the community's goals. Target dates and the responsible agencies or individuals are identified when appropriate.
- **Quantified Objectives** are identified for the five-year horizon of the Action Plan to measure the Plan's expected results against projected conditions. These objectives are summarized in Section IV.

Goal Area A: New Affordable Housing Construction

GOALS

- Increase The Stock Of Affordable Housing For Very Low, Low And Moderate Income Households.
- Encourage A Mix Of Housing Throughout The City To Meet The Needs Of Different Income Groups.
- Encourage The Construction Of Housing And Facilities To Meet Special Needs, Including Farmworkers, Homeless, Large Families, Seniors, And People With Physical Or Mental Disabilities.

POLICIES

- A-1 Support increased densities in residential areas.
- A-2 Review design standards to support affordable housing.
- A-3 Develop and implement an Affordable Housing Ordinance.
- A-4 Pursue joint development agreements.
- A-5 Provide priority review and permitting for affordable housing projects.
- A-6 Support the construction of second units.
- A-7 Pursue State and Federal funds for new housing construction.
- A-8 Support housing to meet special needs.
- A-9 Continue the "Build-A-House" Project with Merced College.

Policy A-1

Support Increased Densities In Residential Areas.

To lower the per-unit land costs for new construction, the City of Merced shall explore the potential for increasing residential densities in areas of the City where such increases are in keeping with the City's General Plan goals. To this end, the City shall promote and pursue the following Implementing Programs.

A-1a Evaluate Residential Densities Through the General Plan Process.

Conduct an evaluation of residential densities during the update of the City's General Plan Land Use Element to identify areas where densities might be increased to encourage affordable housing and respond to the goals of the General Plan. In particular, density increases should be considered in residential areas that are: 1) within one-quarter mile of school facilities, retail areas or employment districts; or 2) within three city blocks of major arterials and public transportation routes. Density increase recommendations must take into consideration potential impacts on other facilities and services, including sewers, fire and police protection and schools. As an end result, the density evaluation should strive to achieve an equal percent distribution of residential zoning districts between North, Central and South areas of the city. In particular, the City should seek to identify additional areas for R-3 and R-4 zoning to encourage the construction of new multi-family dwellings.

Target date: Conduct evaluation through the General Plan update process, with completion by July 1994.

Responsibility: Planning Department, Planning Commission and City Council.

A-1b Promote Use of the Residential Planned Dvlpmt. Zoning Designation.

As part of the General Plan Update, promote the application of Residential Planned Development designations in areas of new development to encourage innovative site planning and clustered housing design.

Target date: Complete General Plan update process by July 1994.

Responsibility: Planning Department, Planning Commission and City Council.

A-1c Review Minimum Area Requirements for RPD Districts.

To support innovative site planning and affordable housing construction, the City should review its Zoning Ordinance policies for Residential Planned Development districts to remove the minimum area requirements. The City might condition reduction or removal of requirements on the provision of affordable housing as part of the Affordable Housing Ordinance (policy A-3).

Target date: Decision by December 1992.

Responsibility: Planning Department, Planning Commission and City Council.

Policy A-1 (continued)

Support Increased Densities In Residential Areas.

A-1d Encourage Mixed Use Development Downtown.

Encourage mixed-use residential/office/retail approaches to new development in the City's downtown area to support both affordable housing and economic development goals.

Target date: Ongoing.

Responsibility: Planning Department, Redevelopment Agency, Housing Program, Planning Commission and City Council.

A-1e Review Maximum Lot Coverage for R-1-5, R-2 and R-3 Districts.*

To support the construction of large-family housing on smaller, less expensive lots, the City should consider allowing increased lot coverage in R-1-5 Districts. Through the mechanisms of the Affordable Housing Ordinance (Policy A-3), the city could allow, for example, an increase from 40% to 50%, with setback requirements reduced to 15 feet, when units are guaranteed at rates affordable to low and moderate income families. In R-2 and R-3 districts, the City might consider increasing lot coverage to 60%.

Target date: Decision by December 1994.

Responsibility: Planning Department, Planning Commission and City Council.

A-1f Review R-2 District Requirements.*

For eligible projects under the City's Affordable Housing Ordinance, the City should consider reducing the required lot area for R-2 Districts to 5,000 square feet, with the area per dwelling unit requirement reduced accordingly to 2,500 square feet. In addition, the City should consider revising the conditional use requirements for multi-family construction to allow construction of four units on lots of 10,000 square feet or more.

Target date: Decision by December 1994.

Responsibility: Planning Department, Planning Commission and City Council.

A-1g Allow Subdivision of Deep Lots*

To support innovative site planning and affordable housing construction, the City should consider revising its Zoning Ordinance to permit the subdivision of deep lots (e.g., a lot 50' x 150' into 2 lots 50' x 75') that stretch between two points of access (e.g., two roadways or a roadway and an alley), for eligible projects under the Affordable Housing Ordinance. This would allow the construction of two single family dwellings with land cost split between them.

Target date: Decision by December 1992.

Responsibility: Planning Department, Planning Commission and City Council.

*Programs that could be implemented as part of the Affordable Housing Ordinance (A-3).

Policy A-2 ***Review Design Standards To Support Affordable Housing.***

To help reduce construction costs while ensuring continued high quality in new housing construction in Merced, the City shall review its residential subdivision standards. To this end, the City shall promote and pursue the following Implementing Programs.

A-2a Review Water and Sewer Pipe Requirements.

Support the review by both the City and the Building Industry Association of standard specification requirements for water and sanitary sewer pipes. Through the process, identify potential revisions in material and size requirements that could reduce construction costs without endangering the quality or capacity of service.

Target date: Complete review of requirements by December 1993.

Responsibility: Planning, Public Works, Fire and Police Departments, Planning Commission and City Council.

A-2b Review Street Width Requirements and Classification Procedures.

In conjunction with the Building Industry Association, review street width requirements for residential subdivisions in the City. In particular, focus on street classification procedures and exploration of alternatives for reducing off-site improvement costs for new housing developments. Potential width reductions or altered street classification procedures shall then be extended to residential subdivision proposals which guarantee 20 percent or more of the units to be constructed at below-market rents or sales prices (as part of the proposed Affordable Housing Ordinance).

Target date: Complete review of requirements by December 1993.

Responsibility: Planning, Public Works, Fire and Police Departments, Planning Commission and City Council.

Policy A-3

Develop and Implement an Affordable Housing Ordinance.

To promote new housing construction that meets the affordability needs of all income groups, and

To pursue a more equitable distribution of household incomes throughout Merced, and
To encourage the construction of affordable housing for low and moderate income households at the same rate as the construction of affordable housing for above moderate income households,

*The City shall promote and pursue the following **Implementing Programs.***

A-3a Adopt an Affordable Housing Ordinance.

Develop and adopt an Affordable Housing Ordinance to provide incentives for development of low to moderate income housing. The ordinance would detail the conditions under which certain benefits would accrue to developers of projects that include below market rate units to be sold or rented to persons of low to moderate income. Examples of potential incentives include:

Density Bonuses. To decrease the per-unit land costs for the development, the City could provide a density bonus for eligible projects. Density increases could be provided through several of the programs described in Policy A-1, namely A-1f (reduced lot sizes for R-2 districts) and A-1g (subdivision of deep lots). The City might also allow increased lot coverage for affordable, large-family developments (as described in A-1e. Alternately, a percentage bonus (e.g., 20% greater than that allowed under the designated zoning), could be offered. For example, a development site of 90,000 square feet could accommodate 15 units under R-1-6 zoning. With the density bonus, the site would accommodate 18 units (at 5,000 s.f. per unit).

Fee Deferment. To reduce the "carrying costs" of the project, the City could provide a deferment for payment of permit and development fees through the duration of the project's construction loan. Fees would be due at the point when long-term financing for the development is secured or the project is sold. A maximum deferment period could also be set (e.g., two years).

Low Interest Financing/Equity Sharing. Developments that are deemed eligible, could be provided low-interest financing or even equity participation by the City through Policy A-4, Joint Development Agreements. Such projects might be required to meet stricter eligibility requirements (e.g., a higher percentage of units affordable to low and moderate income households).

Policy A-3 (continued)

Develop and Implement an Affordable Housing Ordinance.

Infrastructure Financing Assistance. To reduce the "up-front" infrastructure improvement and development costs, the City could provide assistance in developing alternative, long-term infrastructure financing. Such financing might include formation of a Mello-Roos or special assessment district to support a long-term, low interest revenue bond to fund infrastructure improvements. Bond interest and principal would be paid over time by homeowners in the assessment district.

Target date: Develop, adopt and implement ordinance by December 1993.

Responsibility: Housing Program, Affordable Housing Task Force, Finance Department, City Attorney, Planning Department, Public Works Department, Planning Commission and City Council.

A-3b Establish and Monitor Affordability Levels.

Determine the annual maximum sales prices and rents that may be levied on BMR units as well as the percentage increase that may be levied each year for units with affordability guarantees. In addition, monitor affordability levels through an annual survey of BMR units to ensure compliance with the specified affordability levels. Make affordability level and survey information available to the public.

Target date: Annual.

Responsibility: Housing Program.

A-3c Provide Eligibility Screening and Referral.

Oversee the application and selection process for households qualifying for BMR units, providing developers and realtors with a listing of households that meet eligibility requirements. Eligibility requirements might include point bonuses for households with established residency in Merced, ensuring that new affordable units respond to existing need in the City. In addition, the City should provide information to BMR-unit homebuyers and renters on their rights and responsibilities as well as on assistance that may be available from the City's housing affordability programs (see Goal Area C).

Target date: Ongoing.

Responsibility: Housing Program.

Policy A-4 ***Pursue Joint Development Agreements.***

To actively support the construction of new affordable housing units and to leverage public funds for maximum benefit, the City shall promote and pursue the following Implementing Programs:

A-4a Participate in Joint Development Agreements.

Authorize City staff to explore and, if feasible, develop agreements for the joint public/private development of affordable rental and owner housing in the City of Merced. City participation in development agreements shall:

- Ensure a minimum affordable housing mix (e.g., 20% very low income, 15% low income and 15% moderate income).
- Ensure affordability of rental units for a period of twenty (20) years minimum.
- Require that for-sale units be owner-occupied and that they carry subsidy recapture provisions for a minimum time period (e.g., 20 years) with the level of City subsidy determined at the time of construction as a percentage of development costs. For example, if the city provides a subsidy of \$5,000 towards a unit that costs \$50,000 to construct and that unit is sold in 25 years for a sum of \$500,000, the City shall receive \$50,000 from the sale to reinvest in new affordable housing developments through the proposed Affordable Housing Community Fund;
or
Require that units receiving subsidy be guaranteed at below-market rents or sales prices for a period of time (e.g., 20 years, 100 years), with annual rents and allowable sales prices adjusted for inflation. The City may also retain "first right of refusal," i.e., the right to purchase the unit before it is offered for sale to any other buyers.

Target date: Ongoing.

Responsibility: Housing Program, Affordable Housing Task Force, Planning Department, Redevelopment Agency, City Attorney, Finance Department, Planning Commission and City Council.

Policy A-5

Provide Priority Review and Permitting for Affordable Housing Projects.

To encourage and facilitate the construction of affordable housing for low and moderate income households, the City shall pursue and implement the following Implementing Program.

A-5a Provide Priority Review and "Fast-Track" Permitting for Affordable Housing Developments.

Review the City's current procedures for processing development proposals and approving permits, to identify strategies for accelerating the permitting process for affordable housing developments. This will help shorten the pre-construction period for these projects and reduce their carrying costs. Possible recommendations might include procedural changes, one-stop processing or increased staffing for review of applications.

Target date: July 1992.

Responsibility: Planning, Building and Public Works Departments.

Policy A-6

Support the Construction of *Second Units*.

*To encourage infill-type development and the construction of new affordable housing units, the City shall pursue and promote the following **Implementing Programs**:*

A-6a Review Second Unit Occupancy Requirements.

Consider revision of the occupancy requirements stated in the Second Unit Ordinance (20.10.070, subsection F) to allow occupancy by non-owner occupants regardless of age or relation by blood or marriage to the owner-occupants.

Target date: Decision by July 1993.

Responsibility: Planning Department, Planning Commission and City Council.

A-6b Increase Lot Coverage for Second Unit Lots in R-1-6 Districts.

Increase the maximum lot coverage from 40 percent to 50 percent for R-1-6 zoned lots where a Second Unit is constructed.

Target date: Decision by July 1993.

Responsibility: Planning Department, Planning Commission and City Council.

A-6c Encourage Homeowners to Construct Second Units.

Publicize the Second Unit Ordinance and the income benefits of second unit construction to homeowners in the City. Link this promotion with information on the availability of low-interest rehabilitation loans and other funding programs to support second unit development and provide technical support as necessary to interested homeowners.

Target date: Ongoing.

Responsibility: Housing Program.

Policy A-7

Pursue State and Federal Funds for New Housing Construction.

To maximize the public monies available for new housing construction in Merced and fully leverage the use of local funds, the City shall pursue and promote the following Implementing Programs.

A-7a Apply for State and Federal Funds to Support New Housing Construction.

Identify and apply for funding at the State and Federal levels to finance the construction of new affordable housing in the City. When possible, pursuit of State and Federal monies shall be coordinated with other local agencies and jurisdictions, with private developers and/or with local lending institutions.

Target date: Ongoing.

Responsibility: Housing Program.

A-7b Provide Assistance for Private and Nonprofit Applicants to State and Federal Programs.

Assist private and nonprofit individuals or organizations in applying for State and Federal funds. Assistance may take the form of information referral, consultation regarding program applications and/or lobbying by local officials on behalf of the applicant.

Target date: Ongoing.

Responsibility: Housing Program.

Policy A-8
Support Housing to Meet Special Needs.

*To ensure that housing in Merced responds to the full range of housing needs present in the population, the City shall promote and pursue the following **Implementing Program.***

A-8a Promote and Develop Housing to Meet Special Needs.

Work with private and nonprofit developers as well as the Merced College "Build-A-House" Project to finance, design and construct housing to meet special needs. Such projects might include, but are not limited to: senior housing, including congregate care facilities; housing for people with physical and mental disabilities; farmworker housing; transitional housing for the homeless; an emergency shelter for the homeless; and housing for large families.

Target date: Ongoing.

Responsibility: Housing Program.

Policy A-9

Continue the "Build-A-House" Project with Merced College.

*To encourage continued cooperation between the public, private and nonprofit sectors in responding to Merced's affordable housing needs and to support valuable educational and training opportunities for Merced residents, the City shall continue its funding and support for the "Build-A-House" Project with Merced College. To this end, the City shall promote and pursue the following **Implementing Program**.*

A-9a Support the "Build-A-House" Project with Merced College.

Continue to support and seek to expand the Build-A-House Project, sponsored in conjunction with Merced College. The project provides funding and technical assistance for residential development in which college students are responsible for construction. As a priority, target projects to provide housing for special needs groups.

Target date: Ongoing.

Responsibility: Housing Program.

Goal Area B: Housing Conservation and Rehabilitation

GOAL

- Ensure quality affordable housing through the conservation and rehabilitation of the existing housing stock.

POLICIES

- B-1** Continue the City's Housing Rehabilitation Loan Program.
- B-2** Promote preventive maintenance and energy conservation in older housing units.
- B-3** Pursue State and Federal funds to support conservation and rehabilitation.

Policy B-1

Continue the City's Housing Rehabilitation Loan Program.

To help retain existing affordable housing units and to ensure a high-quality housing stock, the City of Merced shall provide low-interest loans to homeowners to assist them in rehabilitation efforts. To this end, the City shall promote and pursue the following Implementing Programs.

B-1a Continue the Housing Rehabilitation Loan Program for Homeowners and Owners of Rental Properties.

Allocate monies from the City's Affordable Housing Community Fund to expand the City's Housing Rehabilitation Loan Program. Through the Program, provide low-interest rehabilitation loans to qualifying homeowners and owners of rental properties. Loan principal and interest are paid back over time through a revolving loan pool that is then used to assist others in upgrading their units to meet code requirements and quality standards. Program loan monies may also be supplemented with Home Improvement Funds from PG&E based on fund availability and household eligibility.

Target date: Ongoing.

Responsibility: Housing Program.

B-1b Identify and Notify Owners of Substandard Units.

Based on the results of the City's recent housing inventory, identify substandard units in need of rehabilitation and notify owners of the availability of financing through the Housing Rehabilitation Loan Program.

Target date: Ongoing.

Responsibility: Housing Program.

Policy B-2

Promote Preventive Maintenance and Energy Conservation in Older Housing Units.

To help ensure that existing housing units are preserved in good condition and kept from becoming substandard, the City shall promote and pursue the following Implementing Programs.

B-2a Identify and Notify Owners of Older Units or Units in Need of Moderate Repairs.

Based on information collected during the City's recent housing conditions inventory, identify older housing units in need of repair *to keep them from becoming substandard*. Notify the owners of these units that low-interest financing is available to assist them in minor rehabilitation.

Target date: June 1992 and ongoing.

Responsibility: Housing Program.

B-2b Provide Public Information on Preventive Maintenance and Energy Conservation.

Utilize public information programs to educate the public on low-cost preventative maintenance and energy conservation measures they can take to prolong the life and quality of their home and reduce their long-term utility and maintenance costs.

Target date: Ongoing.

Responsibility: Housing Program.

Policy B-3

Pursue State and Federal Funds to Support Conservation and Rehabilitation.

*To maximize the public monies available for housing conservation and rehabilitation in Merced, the City shall pursue and promote the following **Implementing Program.***

B-3a Apply for State and Federal Funds to Support Housing Conservation and Rehabilitation.

Direct City staff to identify and apply for funding at the State and Federal levels to help finance housing conservation and rehabilitation in the City. When possible, pursuit of State and Federal monies shall be coordinated with other local agencies and jurisdictions, with private developers and/or with local lending institutions.

Target date: Ongoing.

Responsibility: Housing Program.

Goal Area C: Housing Affordability

GOALS

- Increase homeownership opportunities for low and moderate income groups.
- Provide financial assistance as needed to very low and low income renter households.

POLICIES

- C-1 Provide downpayment assistance to qualifying homebuyers.
- C-2 Work with the Housing Authority to continue and expand Section 8 Programs.
- C-3 Explore the potential for an experimental rental assistance program for the homeless.
- C-4 Coordinate with local agencies to provide assistance to the homeless.
- C-5 Pursue State and Federal funds to assist affordability efforts.

Policy C-1

Provide Downpayment Assistance to Qualifying Homebuyers.

To make home ownership accessible to households of low and moderate income, the City shall provide low-interest loans to assist such households with their downpayments. To this end, the City shall promote and pursue the following Implementing Program.

C-1a Establish a Downpayment Assistance Program.

Establish a revolving loan pool to provide low-interest loans to first-time low and moderate income homebuyers. The loan pool would be established and operated as a self-sustaining funding source, with established guidelines setting forth terms and conditions for downpayment loans. Such guidelines might include a percentage-of-buying-price or total dollar limit on loans and conditions for interest and principal re-payment (e.g., due after 20 years or at time of resale). Guidelines will be developed based on the dual goals of making the loan pool self-sustaining and lowering the financial burden on first-time, low and moderate income homebuyers.

Target date: January 1993.

Responsibility: Housing Program, Affordable Housing Task Force, Redevelopment Agency, City Attorney, Finance Department, City Council.

Policy C-2

Work with the Housing Authority to Continue and Expand Section 8 Programs.

*To help reduce the high incidence of rent overpayment among very low and low income households in Merced, the City shall work with the Merced County Housing Authority to maximize use of the Federally funded Section 8 rental assistance programs in the City of Merced. To this end, the City shall promote and pursue the following **Implementing Program**.*

C-2a Continue Cooperative Efforts with the County Housing Authority.

Continue working with the Merced County Housing Authority to maximize use of Section 8 rental assistance programs in the City of Merced. Cooperative activities may include, but are not limited to: identification and/or development of housing units available for Section 8 occupancy; identification of households eligible for Section 8 assistance; and assistance in lobbying the Federal government for an increased allocation of Section 8 vouchers and certificates for Merced County's large and growing population of very low and low income households.

Target date: Ongoing.

Responsibility: Housing Program.

Policy C-3

Explore the Potential for an *Experimental Rental Assistance Program for the Homeless.*

*To assist homeless individuals and families in re-entering the housing market, the City shall explore the potential for providing temporary rental assistance to the homeless. To this end, the City shall promote and pursue the following **Implementing Program:***

C-3a Explore the Potential for an Experimental "Rental Assistance Program" for the Homeless.

Work with community agencies (e.g., Community Action Agency and Salvation Army) to fund and operate an experimental "temporary rental assistance program" to assist households who have been displaced from their home or apartment. Funding could be provided by the City or a coalition of agencies. The program would provide a limited financial grant or deposit to assist low-income, qualifying households in re-entering the housing market. The program could be established and monitored for a twelve-month trial period. If the program is evaluated highly, the City would consider funding it as an ongoing program.

Target date: Establish experimental program by January 1993.

Responsibility: Housing Program, Affordable Housing Task Force, City Council.

Policy C-4

Coordinate with Local Agencies to Provide Assistance to the Homeless.

*To address the needs of families and individuals who have been displaced from the housing market, the City shall work with relevant service agencies to provide assistance in locating housing and related support services. To the extent possible, the City shall also coordinate with County agencies and nonprofit service providers to secure transitional housing to meet the temporary housing needs of these households. To this end, the City shall promote and pursue the following **Implementing Programs**.*

C-4a Continue to Support Efforts to Coordinate Homeless Services.

The City shall continue to work with the United Way, Merced County Human Services Agency, the County Housing Authority, local church groups and other service providers to support their efforts in providing shelter and services to the homeless.

Target date: Ongoing.

Responsibility: Housing Program, Affordable Housing Task Force.

C-4b Explore the Feasibility of Developing Transitional Housing for the Homeless and a permanent Emergency Shelter facility.

Provide technical assistance and financial support for development of transitional housing to serve homeless families and individuals. In addition, work with other agencies and nonprofit organizations to explore the feasibility of developing a permanent emergency shelter facility in the city.

Target date: Ongoing.

Responsibility: Housing Program.

Policy C-5

Pursue State and Federal Funds to Assist Affordability Efforts.

*To maximize the public monies available for affordability efforts in Merced, the City shall pursue and promote the following **Implementing Program**.*

C-5a Apply for State and Federal Funds to Support Affordability Efforts.

Identify and apply for funding at the State and Federal levels to help bridge the "affordability gap" between housing prices and household incomes in the City (e.g., assistance for first-time homebuyers). When possible, pursuit of State and Federal monies shall be coordinated with other local agencies and jurisdictions, with private developers and/or with local lending institutions.

Target date: Ongoing.

Responsibility: Housing Program.

Goal Area D: City Coordination

GOALS

- Coordinate innovative housing efforts with private and nonprofit developers as well as other jurisdictions and city departments.
- Ensure accountability and success of the Housing Action Plan.

POLICIES

- D-1 Establish an Affordable Housing Community Fund.
- D-2 Educate the public regarding affordable housing issues and programs.
- D-3 Continue the functions of the Affordable Housing Task Force.
- D-4 Support the City of Merced General Plan Update.
- D-5 Periodically review and evaluate the Housing Action Plan.
- D-6 Ensure that the City of Merced provides its fair-share of affordable housing.

Policy D-1

Establish an Affordable Housing Community Fund.

To support the City's affordable housing efforts, the City shall establish an Affordable Housing Community Fund to serve as a centralized funding pool and high-visibility statement of the City's support for affordable housing. To this end, the City shall promote and pursue the following Implementing Programs.

D-1a Establish an Affordable Housing Community Fund.

Establish a new City account under the title of "Affordable Housing Community Fund" to serve as the depository for monies designated for general use in affordable housing programs (project-specific monies excluded). The Fund shall be managed by the City's Housing Program, with policy oversight and monitoring from the City's Affordable Housing Task Force. Potential uses for Fund monies shall include land acquisition for affordable housing, participation in affordable housing development projects, contributions to the City's Rehabilitation Loan and Rental Assistance programs, low-interest financing for the construction of second units, and support for downpayment assistance for first-time homebuyers. Goals and priorities for use of Fund monies shall be established by the Affordable Housing Task Force and City Council.

Target date: July 1992.

Responsibility: Housing Program, Affordable Housing Task Force, Redevelopment Agency, Finance Department.

D-1b Maximize Public and Private Contributions to the City's Affordable Housing Community Fund.

Explore potential funding contributions from both public and private sources for the City's Affordable Housing Community Fund. Potential sources include:

- 20 percent set-aside from Redevelopment Agency tax-increment income;
- Documentary transfer tax contributions; and
- Contributions from private sources.

Target date: Ongoing.

Responsibility: Housing Program, Affordable Housing Task Force, Redevelopment Agency, Finance Department.

Policy D-2

Educate The Public Regarding Affordable Housing Issues And Programs.

*To ensure that the City's affordable housing programs and related efforts have maximum impact and benefit and to build public awareness of and support for affordable housing programs, the City shall provide public information and educational materials on affordable housing issues being faced in Merced and the programs being undertaken by the City to address those issues. To this end, the City shall promote and pursue the following **Implementing Programs**.*

D-2a Provide Ongoing Public Information on Affordable Housing Issues and Programs.

Ensure that information on affordable housing issues and programs in the City of Merced is made available to city residents, developers and local lenders. In addition, maximize public visibility for the City's housing programs by encouraging representatives of the local media to cover affordable housing as an important community issue in need of community-wide attention and response.

Target date: Ongoing.

Responsibility: Housing Program.

D-2b Establish a Tenant and Landlord Education Program.

Work with the County Housing Authority, the Merced County Rental Housing Association and other relevant organizations to develop and implement educational materials and classes (perhaps in the form of an ongoing speakers series focusing on special topics or issues) to educate tenants and landlords on their rights and responsibilities as renters. Focus on pro-active strategies and skills to improve public safety, housing conditions and tenant-landlord relations, covering issues such as fire safety, neighborhood watch and personal financial management.

Target: Establish program by July 1993.

Responsibility: Housing Program, Affordable Housing Task Force.

Policy D-3

Continue the Functions of the Affordable Housing Task Force.

To provide ongoing goal-setting, oversight of the Affordable Housing Community Trust Fund, monitoring of the Affordable Housing Action Plan and liaison with the Merced community, the City shall continue to convene and support the Affordable Housing Task Force. To this end, the City shall promote and pursue the following Implementing Program.

D-3a Formalize the Roles and Responsibilities of the Affordable Housing Task Force.

Convene the Affordable Housing Task Force on a quarterly basis (minimum) to 1) review progress on the Housing Action Plan goals, policies and programs; 2) provide input on an as-needed basis regarding specific program opportunities and efforts; 3) provide advisory review of housing-related issues and decisions to the Planning Commission and City Council; and 4) provide oversight for the disbursement of funds from the City's Affordable Housing Community Fund.

Target date: Ongoing.

Responsibility: Housing Program, Affordable Housing Task Force, Planning Commission and City Council.

Policy D-4

Support the City of Merced General Plan Update.

To provide long-term planning support for affordable housing development, the City shall complete a comprehensive update of its General Plan. To this end, the City shall promote and pursue the following Implementing Program.

D-4a Work with Planning Staff to Update the City of Merced General Plan.

Housing Program staff will work with the City's planning staff on the comprehensive update of the City of Merced General Plan. In particular, the General Plan Land Use Element shall be reviewed and updated to reflect the goals and policies of the Housing Action Plan and Housing Element of the General Plan, including an evaluation of residential densities (*Implementing Program A-1a*) in the City and mechanisms for increasing density (e.g., allowing multi-family construction) where appropriate and where a percentage of units are guaranteed at below-market rates (in accordance with the proposed Affordable Housing Ordinance).

Target date: Complete update by 1994.

Responsibility: Housing Program.

Policy D-5

Periodically Review and Evaluate the Housing Action Plan.

To ensure accountability to the Housing Action Plan's goals and to ensure a Plan that is responsive to changing needs, the City shall conduct an annual review and evaluation of the Housing Action Plan. To this end, the City shall promote and pursue the following Implementing Programs.

D-5a Conduct an Annual Program Review and Evaluation.

Direct City staff to review and evaluate program implementation on an annual basis and to present the results of that review in written form to the Affordable Housing Task Force, the Planning Commission and the City Council. The review shall be conducted in conjunction with the City's annual budgeting process and shall include expenditures and results by program, summary of success towards meeting stated targets, and an update on progress towards longer range goals. Recommendations for revisions and/or specific program alteration may also be made and submitted for approval.

Target date: Annual.

Responsibility: Housing Program, Affordable Housing Task Force, Planning Commission and City Council.

D-5b Review, Revise and Confirm Goals, Policies, Programs and Quantified Objectives Every Five Years.

Conduct a comprehensive review of the goals, policies, programs and quantified objectives included in the Housing Action Plan on a five year interval. Revise and re-confirm goals, policies and programs and identify new quantified objectives during the review process. Update the City's Housing Element and Comprehensive Housing Affordability Strategy to reflect the new five-year Housing Action Plan.

Target date: 1997.

Responsibility: Housing Program, Affordable Housing Task Force, Planning Department, Planning Commission and City Council.

Policy D-6

Ensure that the City of Merced Provides Its Fair-Share of Affordable Housing.

*To respond to the overall need for affordable housing in Merced County and to recognize that affordable housing is an issue that crosses jurisdictional boundaries, the City shall strive to provide its fair share of affordable housing in the County as identified by the Merced County Association of Governments. To this end, the City shall promote and pursue the following **Implementing Program**.*

D-6a Coordinate with County-Wide Policies and Objectives.

City staff shall work with staff from the County to periodically review and update policies, programs and quantified objectives identified in the City of Merced Housing Action Plan and related policy documents to ensure consistency with projections from the Merced County Association of Governments. Consistency between City and County housing policies and programs shall also be reviewed, with opportunities for cooperative efforts identified and pursued. The review shall coincide with the Annual Program Review authorized in Implementing Program D-5a.

Target date: Annual.

Responsibility: Housing Program.

IV. Quantified Objectives

State law requires that the Housing Element include quantified objectives for the number of units expected to be constructed or rehabilitated. The numbers of units expected to be delivered through each Implementing Program are listed in the Implementation Matrices that follow this section. The matrix numbers reflect expected affordable housing units for very low, low and moderate income households only, and have been distributed according to those breakdowns below. Need figures are from the Regional Housing Needs Plan (April 1991) produced by MCAG. [NOTE: Above Moderate Income units are not addressed in the Affordable Housing Action Plan, but will be discussed (with estimated production levels) in the Housing Element.]

*Total Units Anticipated to be Rehabilitated or Conserved
by City of Merced Housing Programs, 1992 - 1997:375*

*Total Households Anticipated to Receive Financial Assistance
from City of Merced Housing Programs, 1992 - 1997:115*

Total Units Anticipated to be Constructed
1992 - 1997 Very Low, Low and Moderate Income Housing Need:.....5436
Estimated New Units for Very Low, Low and
Moderate Income Households To Be Delivered
by City of Merced Housing Programs, 1992 - 1997:640
Percent of 1992 - 1997 Need
Anticipated to be Met by City Programs:12%

Anticipated Very Low Income Units (construction)
1992 -1997 Housing Need:2038
Estimated New Units from Housing Programs, 1992 - 1997:160
Percent of 1992 - 1997 Need Anticipated to be Met by the City:.....8%

Anticipated Low Income Units (construction)
1992 -1997 Housing Need:1614
Estimated New Units from Housing Programs, 1992 - 1997:245
Percent of 1992 - 1997 Need Anticipated to be Met by the City:.....15%

Anticipated Moderate Income Units (construction)
1992 -1997 Housing Need:1784
Estimated New Units from Housing Programs, 1992 - 1997:235
Percent of 1992 - 1997 Need Anticipated to be Met by the City:.....13%

V. Implementation Matrices

Structure Overview

The following pages provide an Implementation Matrix for each goal area. Each matrix presents quantified objectives for the 1 and 5 year timeframes, the departments responsible for implementation, funding allocations and sources, and required staff hours. This information is provided, where applicable, for each of the Implementing Programs included in the Draft Action Plan.

The matrices assume 1 Housing Program funding of approximately \$1.1 million for non-administrative costs, including \$500,000 from the Redevelopment Agency set-aside for affordable housing and \$600,000 from Community Development Block Grant (CDBG) funds. It also includes a potential \$750,000 that may be available from the new Federal HOME Program. Program administrative costs are covered by approximately \$300,000 in program income (from loan repayments, etc.) and are not included in the dollar figures of the matrices.

Each matrix provides information according to the following categories:

1-Year Objective

This is presented, where applicable, as:

- **Goal Area A:** Number of affordable units to be constructed.
- **Goal Area B:** Number of units to be rehabilitated.
- **Goal Area C:** Number of persons to be served.
- **Goal Area D:** Specified in the Matrix.

5-Year Objective

This presents the same type of information as presented in the 1-Year Objective, but is for the 5-Year time period.

Responsibility

Departments responsible for implementation are listed using these abbreviations:

- **HP:** Housing Program
- **PL:** Planning Department
- **RA:** Redevelopment Agency
- **PW:** Public Works Department
- **CA:** City Attorney's Office
- **FD:** Finance Department
- **FPD:** Fire and Police Departments
- **PC:** Planning Commission
- **CC:** City Council

Funding

Potential first-year funding allocations are identified where applicable. *Costs are provided only for programs that will be implemented by the Housing Program and that will require direct costs above the ongoing costs of Housing Program administrative overhead.* A line (—) indicates that the program's cost would be staff time and/or overhead cost only *or* that the program has already been fully funded and is self-sustaining (e.g., Program A-9a: Build-A-House Project).

Source

The funding source is indicated using the following abbreviations:

- **CDBG:** Funds to be allocated from Community Development Block Grant monies.
- **HS:** Funds to be allocated from Housing Set-Aside monies from the Redevelopment Agency.
- **PI:** Funds to be allocated from Program Income (this applies only to the Housing Rehabilitation Loan Program, which is funded in part by repayments of previous loans).
- **HOME:** Funds anticipated to be available for housing rehabilitation activities from the new Federal HOME Program.

Hours

An estimate is provided for the number of staff hours that will be required to implement each program. For programs that are ongoing, a "per year" hour estimate is provided. Program actions already accounted for under other work programs underway in the City do not have hours listed. Programs A-1a and A-1b will be completed through the City's General Plan Update and are therefore identified with the notation "GP." Program A-1d does not have hours listed because it does not have any specific hourly implications.

Content Summary

The Implementation Matrices present funding allocations and, therefore, the priorities of the Action Plan. They also provide a summary of the numbers of units that might be constructed or rehabilitated, or the number of households that might be assisted, as the result of each program action.

Goal Area A: New Affordable Housing Construction

As the Implementation Matrix reveals, Goal Area A focuses on actions the City might take that require no direct financial contribution other than staff time. It primarily deals with city land use policies, identifying actions that might encourage construction of lower cost homes or housing to meet special needs (e.g., A-1e which hopes to encourage construction of homes for larger families).

The two "top priority" programs in Goal Area A are Adopt an Affordable Housing Ordinance (which requires an estimated 400 hours of staff time and delivers an estimated 100 units of affordable housing in the 5-year term) and Joint Development Agreements (which receives a potential \$400,000 funding allocation in the first year to deliver 40 units of affordable housing, with an estimated 200 units delivered in the 5-year term). Housing To Meet Special Needs is also an important program here.

In all, Goal Area A's programs could result in construction of 72 units of affordable housing in the first year, 640 units in the 5-year term. In the first year, funding allocations (as currently identified) total \$451,000, with staff hours totaling 1,740.

Goal Area B: Housing Conservation and Rehabilitation

The top priority in Goal Area B is continuation (and increased funding) of the City's Housing Rehabilitation Loan Program. With a first-year funding allocation of \$590,000, the program would hope to provide rehabilitation loans to 40 homeowners in Merced. In the 5-year term, the program would hope to serve 200 homeowners. With the addition of \$750,000 in potential HOME Program funds, rehabilitation activities could be increased to provide rehabilitation loans for an additional 50 households in the first year.

The remaining programs in this goal area are primarily informational, with funding for information development and dissemination. In total, Goal Area B includes (with present allocations) \$594,000 in funding and 120 hours of staff time. The HOME Program could add another \$750,000 to this amount.

Goal Area C: Housing Affordability

Goal Area C includes two new programs that would be designed and implemented by the City on an experimental basis. They are a Downpayment Assistance Program and a Rental Assistance Program. Together, these two programs would be allotted \$50,000 in the first year and would hope to serve 10 first-time homebuyers and 30 at-risk rental households. There would be an estimated 145 total staff hours necessary to implement the programs in Goal Area C.

Goal Area D: City Coordination

Except for two programs, this Goal Area's programs would be carried out as part of the Housing Program's ongoing administrative functions. In total, Goal Area D is allocated \$5,000 of funding in the first year to provide public information and establish a tenant/landlord education program. Estimated staff time for Goal Area D totals 340 hours for the year.

* = 1st year priority

A: New Affordable Housing Construction

Implementation Matrix

Implementing Program	Objectives 1 Yr. / 5 Yr.		Responsibility	Hours	1st Year Funding	Source
A-1a Evaluate Residential Densities	na	na	PL,PC,CC	GP	—	—
A-1b Promote Use of RPD Zoning	na	60	PL,PC,CC	GP	—	—
A-1c Review RPD Min. Area Req.	12	60	PL,PC,CC	100*	—	—
A-1d Encourage Mixed Use Development Downtown	2	10	PL,RA,HP,PC,CC	—	—	—
A-1e Review R-1-5, R-2, R-3 Max. Lot Coverage	na	20	PL,PC,CC	75	—	—
A-1f Review R-2 District Reqs.	na	30	PL,PC,CC	75	—	—
A-1g Allow Subdiv. of Deep Lots	3	15	PL,PC,CC	75*	—	—
A-2a Review Water and Sewer Pipe Requirements	na	na	PL,PW,FPD,PC,CC	100	—	—
A-2b Review Street Width Reqs./ Classifications	na	na	PL,PW,FPD,PC,CC	200	—	—
A-3a Adopt Affordable Housing Ordinance	na	100	HP,TF,FD,CA PL,PW,PC,CC	400*	—	—
A-3b Establish/Monitor Affordability Levels	na	na	HP	25/yr	—	—
A-3c Provide Eligibility Screening	na	na	HP	30/yr	—	—
A-4a Pursue Joint Development Agreements	40	200	HP,TF,PL,RA, CA,FD,PC,CC	300/yr*	\$400K	HS
A-5a Ensure Fast-Track Processing	na	na	PL,BU,PW	20*	—	—
A-6a Review Second Unit Occupancy Requirements	5	25	PL,PC,CC	100*	—	—
A-6b Increase R-1-6 Lot Coverage for Second Units	3	15	PL,PC,CC	40*	—	—
A-6c Encourage Second Unit Construction	na	na	HP	25*	\$1K	CDBG
A-7a Apply for State and Federal Funds for New Construction	na	50	HP	50/yr	—	—
A-7b Provide Application Assistnc.	na	20	HP	25/yr	—	—
A-8a Promote/Develop Housing for Special Needs	5	25	HP	50/yr*	\$50K	HS
A-9a Support "Build-A-House"	2	10	HP	50/yr	—	—

Total Anticipated New Units:	72	640	Total 1st Yr. Funding:	\$451K	
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* = 1st year priority

B: Housing Conservation and Rehabilitation *Implementation Matrix*

Implementing Program	Objective 1 Yr. / 5 Yr.		Responsibility	Hours	1st Yr. Funding	Source
B-1a Continue the Housing Rehab. Loan Program	40	200	HP	—*	\$590K	CDBG/PI
Potential HOME Contribution	50	—	HP	—*	\$750K	HOME
B-1b Identify/Notify Owners of Substandard Units	na	na	HP	20*	\$1K	CDBG
B-2a Identify/Notify Owners re: Minor Repairs	na	na	HP	20*	\$1K	CDBG
B-2b Provide Public Info. on Preventive Maintenance	na	na	HP	20*	\$1K	CDBG
B-3a Apply for State/Federal Rehabilitation Funds	na	25	HP	40/yr	—	—

Total Units To Be Rehabilitated:	90	275	Total 1st Yr. Funding:	\$1344K	
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C: Housing Affordability *Implementation Matrix*

Implementing Program	Objective 1 Yr. / 5 Yr.		Responsibility	Hours	Funding	Source
C-1a Establish Downpayment Assistance Program	10	50	HP,TF,RA,CA,FD,CC	40*	\$40K	HS
C-2a Cooperate w/ Housing Authority (Sect. 8)	na	na	HP	20/yr	—	—
C-3a Explore Experimental Rental Assistance Program	30	na	HP,TF,CC	25*	\$10K	HS
C-4a Support Coordination of Homeless Services	na	na	HP,TF	20/yr	—	—
C-4b Explore Feasibility of Transitional Housing and Emergency Shelter	na	15	HP	20	—	—
C-5a Apply for State/Federal Funds for Assistance Programs	na	50	HP	20/yr	—	—

Total Households To Be Assisted:	40	115	Total 1st Yr. Funding:	\$50K	
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U.C. BERKELEY LIBRARIES



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